

U.S. Forecast Sees Surge in GNP, but High Jobless Rate

By Jonathan Fierman
New York Times Service

WASHINGTON — The Reagan administration, in its midyear economic forecast, made a relatively optimistic outlook for growth for the rest of this year and next, but still predicts unemployment will be over 9 percent at the end of 1982 and will average just below 8.5 percent in 1983, administration economists said.

At the same time, a leveling off of the inflation rate at about 6.5 percent is forecast for this year and next.

The outlook, which is close to an administration forecast made earlier this year, is more optimistic than predictions by many private forecasters, who have been scaling back their hopes for the recovery next year as interest rates remain high.

Several administration officials acknowledged Sunday that the administration did not make major revisions in its economic outlook because any downward revision would raise the projected deficit in the budget resolution Congress approved last month.

Impact on Budget Process
Congress was barely able last month to approve a 1983 budget resolution with a deficit of \$103.9 billion, because many conservative members wanted to hold the figure under \$100 billion. An official said that raising the estimates for the deficits now would make it even more difficult for Congress to approve the spending cuts and tax increases to implement the resolution's guidelines.

The administration will not undertake a thorough review of the economic outlook until fall, when work begins on the fiscal 1984 budget, one official said.

The administration took the same approach on its midyear economic review last year. The release of the July 1981 review came just weeks before Congress was to vote on the president's tax cuts.

Although there were signs the economy was not as weak as the optimistic forecast, the administration laid out in the beginning of 1981, the economic forecast was barely touched, and projections that included a balanced budget by 1984 were not disturbed. Officials acknowledge this was done to prevent an undermining of support for the president's tax cut, which would have added to the deficits.

About a month later, when the president signed the tax cut, administration economists acknowledged that deficits were growing and that the hope for a balanced budget was fading.

According to administration officials, the new forecast will show the gross national product, after adjustment for inflation, rising between 4 and 5 percent for the last two quarters of this year and through 1983.

The unemployment rate, which was at a post-World War II record of 9.5 percent in June, is not expected to decline much before the congressional elections in November or before the end of the year.

The average unemployment rate for the last three months of the year, an official said, is projected to be just over 9 percent. Average unemployment for all of 1983 is expected to be "just a shade below 8.5 percent," he added.

On inflation, the forecast will show the implicit price deflator, which is considered to be a more accurate inflation measure than the closely watched Consumer Price Index, at an annual average of about 6.5 percent for 1983.

One of the most optimistic assumptions in the forecast, an official said, is the outlook on interest rates. While he would not give the exact figures, he acknowledged that these numbers approximate the economic outlook agreed to in April by the negotiators for the administration and Congress before compromise talks on the budget broke down.

These figures assume the rates on three-month Treasury bills, now at 12 percent, will fall sharply to just under 9 percent in 1984, and to just under 7 percent in 1985. Many private and government economists contend this projection is far too optimistic.

By contrast, many private economists have cut their growth rate predictions for 1983 and 1984 to less than 4 percent. The most recent forecast by Chase Econometrics, an economic consulting firm, predicts the GNP will grow at an annual average rate of 3.7 percent in 1983 and 3.8 percent in 1984.

Chase also predicts unemployment will average 8.8 percent in 1983 and fall to an average of 7.8 percent in 1984.

However, Chase's inflation forecast is slightly more optimistic than the administration's, with the price deflator averaging 5.9 percent in 1983 and 6.5 percent in 1984.

Slower Recovery Envisaged
SANTA BARBARA, Calif. (LAT) — Larry M. Speakes, the White House deputy press secretary, said Saturday that in spite of public optimism on the economy, administration officials realize that recovery this year may be slower than previously predicted.

"If interest rates hang in there at the higher levels, the economy may not be as robust as we anticipated," Mr. Speakes said.

He said that administration officials saw the first signs of an upswing two or three months ago, but that interest rates have continued to hold the economy down.

Mr. Reagan has no plans to modify his economic policies before the November congressional elections, Mr. Speakes added.

Stockman Sees Improvement
WASHINGTON (UPI) — Budget Director David A. Stockman said Saturday that unemployment will be "a lot lower" by the 1984 presidential election.

"Nobody wants unemployment to rise," Mr. Stockman said in the current issue of U.S. News and World Report. "It's simply part of the unfortunate, but temporarily unavoidable, process of repairing the economy."



A police chaplain, the Rev. Peter Rogers, administers last rites to a victim of the Pan Am crash.



Firemen and rescue workers examine the wreckage near New Orleans International Airport.

Pan Am Jet Crashes in a Suburb Of New Orleans; 153 Are Killed

Compiled by Our Staff From Dispatches

NEW ORLEANS — A Pan American World Airways jet crashed in a residential area just after taking off from New Orleans, killing all 145 persons on board and eight on the ground.

The crash Friday was the second worst single-plane accident in U.S. airline operations, following the May 25, 1979, crash of a DC-10 at O'Hare International Airport in Chicago in which 275 persons died.

The Boeing 727 had stopped over in New Orleans on a flight from Miami to Las Vegas and San Diego.

It crashed into the suburb of Kenner, two miles (3.2 kilometers) east of the takeoff runway at New Orleans International Airport, heavily damaging a four-square-block area. More than a dozen houses were destroyed by fire.

Witnesses said that it was raining at the time of the crash and that there were thunderstorms in the area.

But officials of the National Transportation Safety Board, which is investigating the accident, discounted reports that the plane might have been struck by lightning.

Patricia Goldman, vice chairman of the safety board, said Sunday that the first 25 eyewitnesses to be interviewed agreed that the plane had not been hit by lightning.

She said that flashes reported by some observers might have been from power lines that the plane hit as it went down.

Pan Am said there were 138 passengers and a crew of seven aboard the Boeing. Virtually every seat was occupied on the plane, a late model known as a Dash-200.

Local officials said eight persons died on the ground and that at least three others were hospitalized in serious or critical condition.

Gov. David C. Treen said he planned to declare the neighborhood a disaster area to help speed the restoration of services.

"This is an awful tragedy, very, very grim and very depressing," he said. Gov. Treen called on National Guardsmen to help residents whose homes were damaged.

House Levelled

Victor Dean, a Pan Am employee who lives near the point where the Boeing 727 hit, said that the impact leveled a neighbor's house. He said that the neighbor had used his telephone to report that his wife and three young children had been inside the house.

A Kenner fire dispatcher said that the impact was accompanied by explosions and that debris was scattered over an area four blocks by six blocks.

It was the first major crash of a U.S. airliner since Jan. 13, when an Air Florida twin-jet 737 crashed in a snowstorm just after taking off from Washington National Airport. Seventy-four passengers and crew members were killed as well as four persons who were on a bridge that the plane struck.

Last Tuesday, a Soviet Aeroflot flyushin-62, a four-engine jet, crashed after taking off from Moscow's Sheremetyevo Airport, killing an estimated 90 persons.

'Wind Shear'

A possible explanation for the crash, aviation experts said, was "wind shear," an atmospheric condition that can exert violent downward pressure on planes that pass near storm cells.

Some witnesses said the jet's engines apparently stopped before the plane hit the ground, which experts said could have resulted if the plane had passed through extremely heavy rains.

Whatever disabled the Pan Am jet, its ability to recover would have been impeded because it was carrying a full load of passengers and fuel for its flight to Las Vegas.

A safety board official confirmed that USAir canceled a flight that had been scheduled to take off just before the Pan Am plane. The reason for the cancellation was unclear.

The Pan Am crash came at a time when the airline has been hit by severe economic problems.

Some industry observers have said that this year's holiday-season business could determine whether the carrier can remain solvent. Pan Am has been faced with extraordinary expenditures connected with its merger with National Airlines in 1980. In the merger, Pan Am acquired domestic routes that it felt it needed to feed passengers to its international runs.

New Cease-Fire in Beirut Halts Intense Fighting

Compiled by Our Staff From Dispatches

BEIRUT — Israeli and Palestinian forces fought their heaviest artillery and rocket duels Sunday over West Beirut in the five-week-old war, but the guns fell silent at nightfall under another U.S.-arranged cease-fire.

The shelling was so intense that negotiators were unable to travel to meetings, but Lebanon's state radio reported that the U.S. team managed to get agreement on a cease-fire after the Lebanese premier, Shafiq al-Wazzan, pleaded for intervention to "stop this mad bombardment." He said that Beirut "is being destroyed piece-meal."

Police said that at least 52 persons were killed and 135 wounded as barrages of artillery shells fell in the western sector of the capital. Shells also fell in East Beirut.

Huge fires were burning out of control in an abandoned luxury hotel on Beirut's southern beach and in the Chatilla camp near the command headquarters of Yasser Arafat, leader of the Palestine Liberation Organization.

U.S. and Lebanese mediators were unable to meet Sunday to discuss the Arafat plan for a military disengagement as shells fell near their mansions in Moslem West Beirut and the Christian suburbs of Baabda and Yazze, five miles (eight kilometers) east of the city. The shelling began at mid-morning and lasted into evening.

Israeli shells and rockets landed almost continuously in widespread areas of West Beirut, where an estimated 6,000 Palestine Liberation Organization guerrillas are besieged with about half a million Lebanese and Palestinian civilians.

Lebanese state and privately owned radio stations appealed to the civil defense corps and fire brigades on both sides of the line that splits Beirut into Moslem western and Christian eastern sections to help fight the fires and rescue victims from devastated buildings.

The Palestinians fought back with mortar fire and salvos of rockets fired from multiple-tube launchers.

An Israeli military camp near Baabda took a direct rocket hit, said a thick column of black smoke and four or five burnt-out trucks could be seen. In Tel Aviv, the military command said three soldiers were wounded.

Hospital Hit

A government hospital in Baabda was also hit by three 120-mm rockets, causing damage but no casualties. At the nearby presidential palace, guards ran for cover as 11 mortar shells crashed into the palace terrace and garden. They smashed windows and set afire a bus in the motor pool next door.

On Friday an agreement to end the monthlong war appeared in sight, with the PLO agreeing in principle to Israel's demand that it should leave Lebanon, Syria looked to be the most likely destination for the guerrillas.

But then the Syrian government announced that although it might allow the PLO leadership to set up its headquarters in Damascus, it had no room for the thousands of PLO fighters.

Lebanese government sources said a trip to Damascus by Morris

Draper, the U.S. deputy assistant secretary of state, had failed to persuade Syria to change its mind. The Syrian refusal left the negotiations in Beirut marking time, with no meetings scheduled before the end of the week.

Documents indicate that Asian and African mercenaries are fighting with the PLO. Page 2.

tween Lebanese leaders and U.S. officials or PLO leaders.

However, Mr. Wazzan was preparing to convey to U.S. envoy Philip C. Habib a new disengagement plan proposed by Mr. Arafat.

The 11-point blueprint, which Mr. Arafat described as his "final bottom line," calls for the early deployment of a peacekeeping force in Beirut's western half to enforce the 10 other articles, the independent Beirut newspaper an-Nahar reported.

This reflected France's agreement on Saturday to supply troops that would separate the withdrawing Palestinians from their Israeli and Christian foes. Earlier, the United States had suggested the force take up positions only after a PLO withdrawal.

Other articles in the new Arafat plan include a total cease-fire, and an Israeli pullback from current positions surrounding Beirut simultaneously with a PLO withdrawal from West Beirut into neighboring refugee camps and an international guarantee of the PLO's safety in these camps, the paper said.

Once the mutual withdrawals are completed, the PLO would enter into talks with the Lebanese government to complete details of the PLO evacuation from the Lebanon by land under the supervision of the disengagement force, the Arafat plan proposes.

Begin Is Said to Study Beirut Military Options

Compiled by Our Staff From Dispatches

JERUSALEM — Prime Minister Menachem Begin is studying military alternatives to force Palestinian guerrillas from Beirut after having received pessimistic reports on the progress of negotiations to solve the problem peacefully, a Cabinet source said Sunday.

The source said the Cabinet had been told at its routine meeting Sunday that no progress was being made at negotiations conducted by Philip C. Habib, the U.S. envoy to the Middle East.

A number of ministers complained that Israel was receiving misleading information about results of the talks, the source told reporters. "These ministers recalled that Mr. Habib had said he expected the Palestinian terrorists to start getting out of Beirut either today or tomorrow."

"It now also appears we were misled to believe the terrorists had agreed to drop demands for continued presence in Beirut even after their main forces leave," he said. "We assume Mr. Habib has been misled by those conducting direct negotiations with the terrorists."

The United States has had no direct contacts with the guerrillas but has used Lebanese politicians as go-betweens.

The Middle East affairs editor of state-run television, Ehud Ya'ari, now in East Beirut, reported Saturday that the Habib plan also calls for a phased Syrian-Israeli withdrawal to follow immediately and for Lebanese Army regulars to move into the vacated areas with the help of a multinational force, which is to include troops from the United States, France and Canada.

Mr. Habib hopes that the Lebanese parliament can be convened in West Beirut by mid-August to elect a new president, Mr. Ya'ari said. Under the Lebanese constitution a new president must be elected by Sept. 23.

Israel has been saying for two weeks that it insists on a speedy removal of the guerrillas from Beirut. Each Cabinet meeting has ended with intimations, official or unofficial, that Israel would wait no more than a few days.

The source said the guerrillas "by stalling at the talks and shelling our forces obviously want to turn the conflict into a long drawn-out war of attrition, a situation Israel will not tolerate."

Immediately after the Cabinet meeting, Dan Meridor, Cabinet secretary, had reported, "The negotiations are going on, but time is not unlimited."

Mr. Meridor said "nothing yet has been decided" on an Israeli deadline for the guerrillas' departure from Beirut. The Israeli media reported that Mr. Habib had set Aug. 1 as "an informal target date" for reaching a settlement.

There is widespread opposition to an invasion of Beirut, because of the casualties the Israelis would probably sustain in house-to-house fighting and the international criticism it would come under.

An opinion poll of 1,164 Israelis conducted by the Dahaf Research Institute, published Sunday in the daily Yedioth Ahronoth, found that two out of three Israelis are against invading the Lebanese capital. It said 83 percent support the war, but 68 percent are against carrying it into Beirut.

The military command reported 28 Israeli soldiers had been wounded in exchanges of cannon and rocket fire Sunday. Eleven others were injured in fighting Friday and Saturday, the army said.

Six Lebanese children were killed and 18 injured when the truck in which they were traveling struck a mine in central Lebanon, the military command said. The truck, carrying 50 children, hit the mine in the Bekaa Valley, about 27 miles (43 kilometers) north of the Israeli border.

U.S. Soldier Takes Tank On Rampage

Driver Killed, 4 Hurt In West German City

Compiled by Our Staff From Dispatches

MANNHEIM, West Germany — A 50-ton U.S. Army tank careened through central Mannheim on Saturday, scattering shoppers in a pedestrian mall and causing damage estimated at 2 million Deutsche marks (\$800,000), police said.

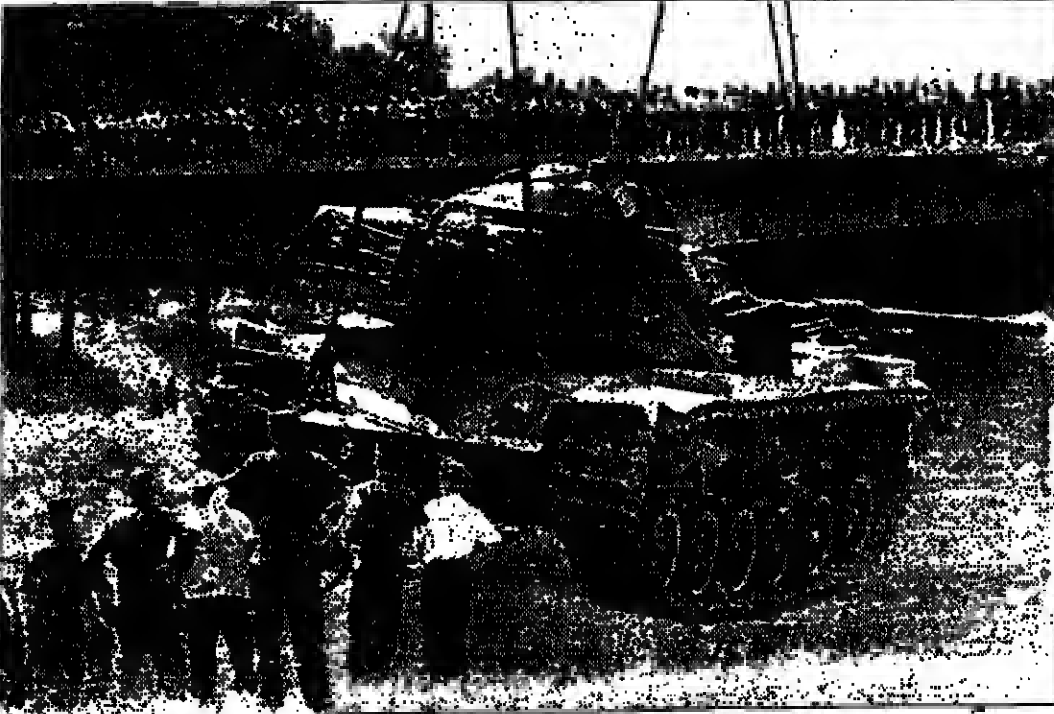
The M-60 tank finally plunged off a bridge and landed upside down in 15 feet (about five meters) of water in the Neckar River. The driver, an unidentified 20-year-old U.S. Army private, was found dead, apparently drowned, inside the vehicle Sunday when it was hauled from the river.

His identity was being withheld until his family could be notified. An army spokesman said there was no explanation of why he had taken the tank and gone on the rampage.

Mannheim police said four persons were injured, one seriously. An American sergeant who jumped onto the tank to try to stop it dislocated his shoulder when he was thrown off the vehicle.

Lock Broken
The incident began Saturday afternoon, a U.S. statement said. The soldier, on his way to guard duty, went to his unit's vehicle pool and gave the security guard the necessary papers to get in, the statement said.

Then he apparently broke the lock on one of the hatch covers to get into the tank, which he normally was assigned to drive, and set



A tank is lifted from the Neckar River after a soldier's rampage in Mannheim, West Germany.

off, plowing through a fence and driving onto a main highway leading into Mannheim, the statement said.

Once in the city, he wrecked a streetcar and damaged sidewalks and overhead power lines, 14 automobiles and three light posts. Then he moved the tank onto the Neckar bridge but, when military policemen appeared at both ends of the bridge, he reversed gears and the tank crashed through the bridge railings into the river.

At a news conference Sunday, U.S. Army officials said that when the tank was caught on the bridge the driver appeared to swing the main gun around as though aiming at military police. But they said that in line with regulations for tanks not in use, the vehicle, although carrying a normal load of

ammunition, was without its firing mechanism.

Brig. Gen. Eugene Cromartie of the U.S. 8th Infantry Division said the driver managed to get the vehicle off the army base despite elaborate safety precautions.

"We know we can protect ourselves from the outside. Now we have to learn to protect ourselves from the inside," he said, adding that "irrational acts" can never fully be controlled.

Fuel Leakage Ruled Out
Two attempts by American forces to heave the tank from the muddy river bed failed Saturday night. West German rescue teams with a heavy barge crane finally succeeded in lifting the tank onto land about 24 hours after it sank, police said.

John Gergulis, commander of the 3d Brigade, to which the private was attached, said there was no danger that diesel fuel from the M-60 leaked into the river since the vehicle's fuel tanks were tightly sealed.

Streetcar traffic came to a halt for two hours Saturday after the tank rammed overhead power lines at a major tram intersection.

The destroyed streetcar was valued at \$300,000. "It was a miracle no one in the streetcar was injured," a police officer said.

Damage claims will be examined by West German officials and handed to the U.S. Army, which under North Atlantic Treaty Organization statutes is liable for civil damage caused by the incident, Gen. Cromartie said.



ITALY WINS WORLD CUP — Marco Tardelli, right, kicks the ball past West German defender Bernd Forster, to score Italy's second goal in the final of the World Cup in Madrid Sunday night. Italy won, 3-1, for its first World Cup championship since 1938. Page 13.

INSIDE

■ OPEC's production and pricing agreement effectively collapsed when oil ministers failed to decide how to manage overproduction and underpricing by some members. Page 7.

■ With their desire to develop and modernize the country, Chinese are more than simply curious as they question visiting Americans, Europeans and Japanese. Xenophobia still runs deep, but there is increasing realization that the country will have to learn from foreigners in order to advance. Page 2.

■ A study published by the Institute of Foreign Policy Analysis in Washington advocates withdrawing most United States ground forces from Europe and South Korea and relying more on sea power to defend American interests abroad. The

study reflects a spreading sentiment in Congress to reduce American forces in Europe and Asia and to make Europeans and Asians assume more responsibility for their defense. Page 3.

■ The Reagan administration is considering a proposal to let Japan and West Germany finance and participate in a full-scale test of a nuclear fuel reprocessing plant in South Carolina capable of producing weapons-usable plutonium, the Energy Department said. The proposed "cold test" of the Bawell reprocessing plant — which would begin in late September and run for about 10 days — would not involve any fission products, but would demonstrate how safeguards at the plant would function if it were turning out plutonium that could be used in making nuclear bombs. Page 3.

Papers Seized by Israelis in Lebanon Say PLO Hired Mercenaries and Trained in Eastern Bloc

By Bernard Weinraub
New York Times Service

WASHINGTON — Israel has given U.S. intelligence officials documents and other information obtained in Lebanon, indicating that mercenaries from India, Pakistan, Bangladesh and various African nations were fighting with the Palestine Liberation Organization.

At the same time, the Israelis also gave U.S. officials an account of what they considered the surprisingly large stores of weapons seized by Israeli troops in Lebanon. Among these weapons, the Israelis said, were American M-16 rifles that had been sold to Saudi Arabia.

Copies of the documents, most of which were given to President Reagan late last month by Prime Minister Menachem Begin, were made available here by Israeli officials.

The documents seem clearly designed to undermine the Israeli contention that the PLO has emerged as an increasingly powerful military force with links to terrorist organizations and Eastern-bloc nations.

List of 'Comrades'

The documents offer a glimpse into some of the PLO's relationships abroad. A diary found in Tyre, for example, said:

"The comrades from Malawi started their studies [June 23]. The comrades from South Africa have departed [May 16]. Final exam for the El Salvador course [February 26]. The comrades from Haiti started their studies [April 6]."

A five-member group arrived from Turkey [June 4]. One battalion list, seized in Sidon, lists the names, rank and military identification numbers of various Palestinian officers and the overseas training they received.

Many attended military schools in the Soviet Union, China, Cuba and Algeria. Other lists showed that numerous Palestinian troops took "sabotage" and anti-aircraft training in Pakistan, and engineering courses in India and studies in Vietnam and Austria.

A State Department official, discussing the apparent use of foreign troops by the PLO, said the United States had already received "various reports" of this but had no direct confirmation. The official said the captured documents provided by the Israelis seemed "perfectly authentic."

A ranking Israeli military official in Washington, Ambassador K.R. Narayanan of India said his government had seen reports that there were Indian mercenaries fighting with the PLO but denied it, and a spokesman for the Bangladesh Embassy said his government had "no knowledge" of Bengalis fighting with the PLO. A senior official with the Pakistani Embassy said, "We don't know whether this is accurate."

Economic Motive

Israeli officials said that the troops from other countries were paid monthly wages — the exact amounts are unknown — and Israeli officials speculated that economic, as opposed to ideological, motives spurred the troops to join the Palestinian forces.

"The PLO has a great deal of money to spend," an Israeli official said. "These people came mostly from poor countries. Here they received a salary, food and clothes."

Israeli officials denied newspaper reports that Germans and Italians linked to terrorist groups had been seized, although documents picked up at some base camps near Beirut indicated some Europeans had been trained there. There was no evidence of Americans working with the PLO, the Israelis said.

Several documents focused in detail on attacks against Israeli

towns, and others cited the Palestinian strategy of placing troops in populated areas. One report, dated May 28, 1981, said:

"The built-up areas in the town of Sidon and surrounding villages are excellent areas for shelter. The trees enable complete camouflage and concealment for vehicles and personnel. Positions should be taken up in the built-up areas in Sidon, the refugee camps and villages."

Another message, sent from

"Artillery Corps Commander, Joint Forces, South," listed targets in Israel, the units that would perform artillery missions and how many rounds were to be expended. The Israelis have told American officials that more than 4,000 tons of Soviet-made ammunition, 12,000 rifles and handguns, 600 heavy weapons, including artillery, and 400 pieces of signal and communications equipment have been seized in recent weeks by Israeli troops at more than 100 storage depots.

One of the more unusual documents is described as a summary of talks between PLO officials and Soviet diplomats in Moscow, including Foreign Minister Andrei A. Gromyko. On the Palestinian side, the talks, which took place on Nov. 13, 1979, were led by an official named Abu Amar.

In the course of the talks the PLO official said that "no country, except for Syria and Iraq, helps us" and that the Palestinians faced a "shortage of everything."

Israeli Soldiers Expressing Doubts About Military's Role in Lebanon

By William Branigan
Washington Post Service

BEIRUT — As Israeli invasion forces begin their second month in Lebanon, there are signs of doubts and concerns among some of the troops about Israel's military role here.

According to two junior officers, opposition in Israel to the involvement here — especially large anti-war demonstrations — is a major topic of conversation among the troops.

Some Israeli soldiers also seem to be sensitive about accusations that they are inflicting heavy civilian casualties on the Lebanese population. And some reportedly are questioning whether this is really a "defensive" war, as their leaders have told them.

No Loss of Discipline

However, there is no sign yet that anti-war sentiment in Israel or the troops' questions are affecting their discipline or ability to fight. And the soldiers appear heartened by the generally welcoming attitude so far of the Lebanese Christians, in whose zone the Israelis have installed themselves around Beirut.

A principal subject of debate among the soldiers, according to some who talked to reporters, is a recent demonstration of an estimated 50,000 people in Tel Aviv organized by the Peace Now movement.

"My men are arguing about it," said a 22-year-old first lieutenant guarding one of the crossing points into West Beirut. "They discuss it a lot."

He said he felt the organizers of such demonstrations "should wait until the fighting here is over. It's not nice to have that going on when you're fighting."

But he said, "My opinion is we won't find a solution by war. Even if we take over their side [West Beirut], it will leave many terrorists. They will start all over again somewhere else. You can't drive 5 million Palestinians. They have their own rights."

While he did not think Israeli troops were afraid to assault West Beirut, he said, there was concern about potentially high casualties. "Every soldier thinks about it, especially if they see their friends get killed," he said.

'Third Thoughts'

"Of course the demonstrations have an impact on everybody," said a 31-year-old medical officer named Moses. "We have second thoughts and third thoughts about this war."

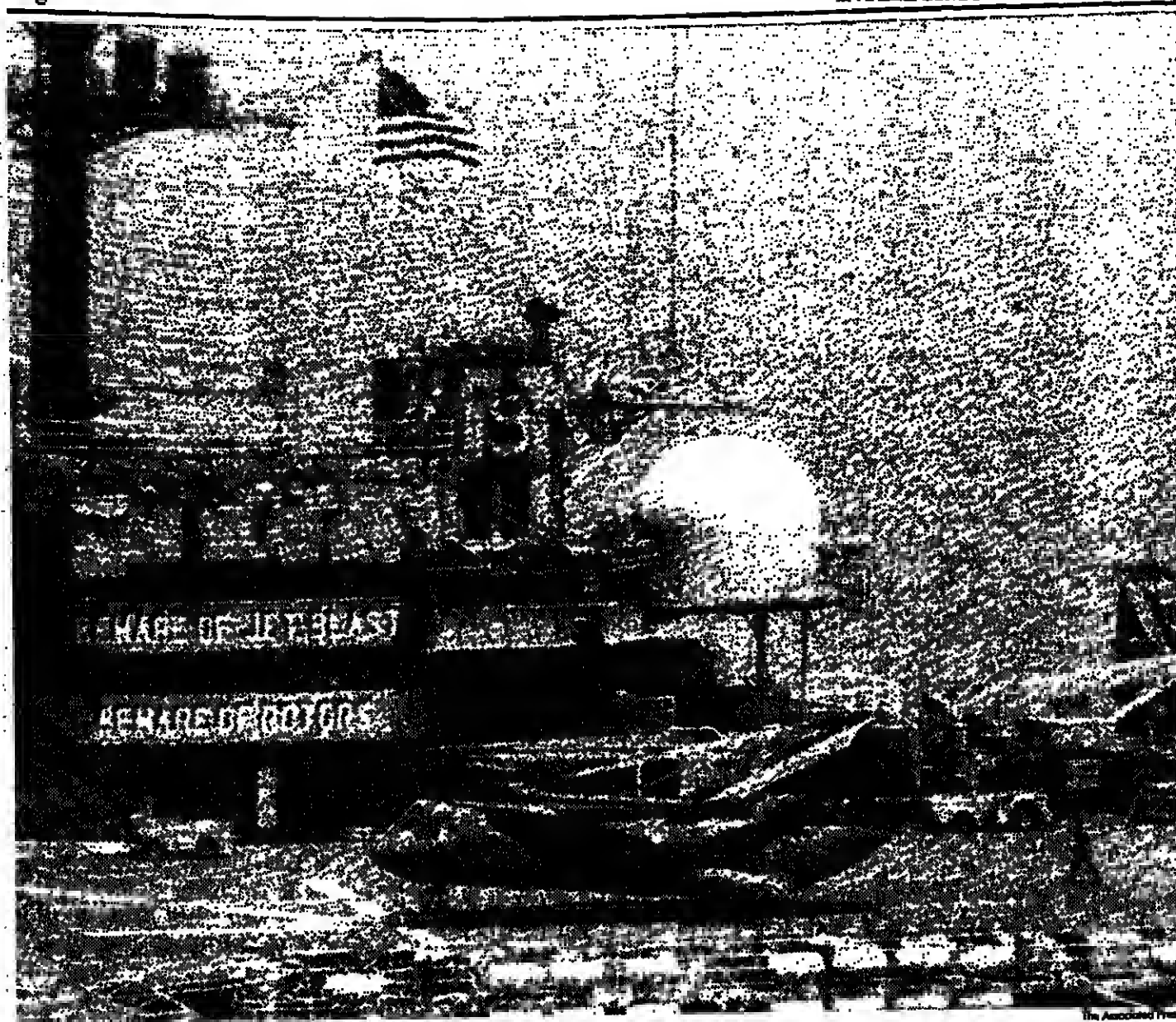
He added, "There's a feeling we're not fighting our war," a reference to the question of whether it is a defensive or offensive battle. Moses said he felt "ambivalent" about these questions and said he knew of no one who had refused to fight for political reasons.

Moses, a reserve officer from Jerusalem, said he took offense at suggestions by opponents of the Israeli involvement in Lebanon that the Israeli troops were waging an "inhumane" war. He said there were strict instructions not to shoot at anyone who surrendered and that wounded Palestinians were well treated, often being sent to hospitals in Israel for special care.

Refusals to Bomb

He said there had been cases of Israeli pilots refusing to bomb their targets because they were in populated urban areas. He said a friend returned from one mission with his bomb racks still fully loaded. He was supposed to hit a Palestine Liberation Organization headquarters, Moses said, but there were too many civilians in the streets around the target.

The pilot was not punished, Moses said, because standing instructions permit flyers to refrain from bombing if they do not have a clear target.



The U.S. helicopter carrier Guam, part of the 6th Fleet, was about 50 miles from Beirut on Sunday.

Reagan Policy Course for Lebanon Aftermath Holds Prospect of Reaching Key Mideast Goals

By Bernard Gwertzman
New York Times Service

WASHINGTON — Amid the carnage and chaos of the Lebanon crisis, the Reagan administration may have happened on a course that, while full of obvious risks, holds out the prospect of some windfalls for U.S. objectives not anticipated when Israel invaded Lebanon more than a month ago.

Much depends on the negotiations being conducted in Beirut by the administration's special envoy, Philip C. Habib. If he proves the skeptics wrong and devises a formula acceptable to all parties — Israel, the several Lebanese political factions, the Palestine Liberation Organization and Syria — then the United States could find itself with the most promising opportunity for negotiations since the Egyptian-Israeli peace treaty was signed in 1979.

If he fails, and the Israelis give up on diplomacy and decide to annihilate the PLO forces in West Beirut, then the United States could find itself being blamed for sanctioning the inevitable bloodshed. In the uproar over such military action, Washington could be left without much leverage on future Middle East developments.

Mr. Habib's diplomatic efforts have been all the more remarkable because they have taken place at a time when the administration's foreign policy often seemed to lack focus and was torn by internal disagreements.

Alexander M. Haig Jr., who had been directing Middle East policy, resigned as secretary of state in the middle of the crisis, in part over his perception that William P. Clark, the national security adviser, Defense Secretary Caspar W. Weinberger and Vice President Bush were conspiring to sabotage his efforts.

NEWS ANALYSIS

Without the benefit of foreign policy experience, George P. Shultz, Mr. Haig's designated successor, will be thrust into the Middle East maze this week when he undergoes questioning at his confirmation hearings. Among the questions Mr. Shultz will surely be asked is whether his business connections in the Arab world as chief officer of the Bechtel Group Inc. have given him a pro-Arab bias.

As in 1973, the new opportunity for U.S. diplomacy in the Middle East have resulted from a local upheaval. In 1973, President Anwar Sadat engineered the Egyptian-Syrian attack on Israel to produce an atmosphere conducive to an eventual political settlement and recovery of land lost by Egypt to Israel in the previous war. If an agreement is worked out by Mr. Habib, the United States has promised to contribute 800 to 1,000 troops to an international (partly French) force that would protect the departing Palestinians from the Israelis and the remaining Palestinians from Lebanese Christian militias. Once a settlement was in place, the following scenario would not be out of the question in coming months:

Mr. Reagan, in consultation with Mr. Shultz, would declare peace in the Middle East as the administration's highest priority, and a prominent American, perhaps even Henry A. Kissinger, would be appointed as special negotiator.

No longer having a Palestinian military threat on its borders, Israel would be asked by Washington to carry out its Camp David pledge to negotiate seriously with Egypt to conclude a self-government agreement for the 1.3 million Palestinians in the occupied West Bank and Gaza Strip. Those talks for a five-year interim administration have been deadlocked for more than two years, largely because of Israeli intransigence.

Doubts on Israel

Critics of Prime Minister Menachem Begin's government believe that Israel will never negotiate seriously for Palestinian autonomy because it wants to incorporate the West Bank into Israel. But in the aftermath of Lebanon, Mr. Begin may feel under pressure to repair relations with both Washington and Cairo. To do so, he must show more diplomatic flexibility, particularly if he is to persuade his many critics in the U.S. Congress to supply the economic wherewithal to pay for Israel's latest war, and the costs of maintaining U.S. forces in Lebanon.

Reagan Still Offering Troops

WASHINGTON (AP) — President Reagan said Sunday he is wary of sending U.S. troops in Lebanon but that he would do so "if it was essential to bringing peace." But Mr. Reagan told reporters aboard Air Force One that the Lebanese government still has not made a "formal invitation."

Later, the deputy White House press secretary, Larry M. Speakes, said the U.S. role is "not finally or firmly determined."

A Prince of the Druze Salutes Israeli Invasion

Rightist Seeks Power for Lebanese Military Under a Strong President

By Henry Kamm
New York Times Service

BEIRUT — On the patio of his palace outside Aleh in the wealthy suburbs of Beirut, surrounded by retainers who are always at hand to light his cigarettes, Prince Faisal Majid Arslan, leader of the more conservative of Lebanon's two Druze factions, spoke approvingly of the Israeli invasion.

"There is no other solution," said the prince, who wore a pale pink suit over a bright pink shirt. About the future, he said: "We will have to wait. We hope the Israelis won't do the same as the other armies who came to give us hope for peace. Our hopes were disappointed." His retainers nodded assent while clicking their worry beads.

The prince commands the loyalty of about half the Lebanese members of the Druze religion, an offshoot of Islam. He said that after the Israelis had driven Poles-

tinians and Syrians from Lebanon, power should be given to a strong Lebanese military under the command of a strong president. Prince Faisal said President Elias Sarkis should ask the leaders of all the major religious and political factions in Lebanon to meet with him. He said the president should then tell them, "He who wants to, shake hands with me, and I am ready to make a strong government."

The Druze leader smiled when asked what those who did not shake hands would do. He said it had even proved impossible to arrange a meeting between Lebanon's two major Druze leaders. He said Walid Jumblatt, head of the leftist faction, "won't come out of West Beirut" to meet him.

"If all the foreigners are out of Lebanon, in less than a day, in two hours, the Lebanese will manage themselves," Prince Faisal said. "Outsiders are Lebanon's disease." Israeli officers who took part in

the leisurely discussion involving members of various rightist Lebanese factions kept smiling. But the prince and his advisers said they did not know how long Israeli troops should stay to assure stability. "That depends," he said.

Asked why Lebanese who wanted the ouster of Palestinians and Syrians from their country were relying on the Israeli army to do the work, the prince shrugged. But the Rev. Joseph Tounmes, a prominent member of the Maronite Church, Lebanon's largest Christian group, responded vehemently. "Because the Palestinians have robbed our army of its dignity."

Many Christian intellectuals differentiate between the Lebanese and the Arabs. None do so with more fervor than a group led by two widely published and respected poets, Said Akl and May Murr, who consider the people of Lebanon descendants of the ancient Phoenicians.

Their movement has an armed faction known as the Guardians of the Cedars. Mr. Akl, the leader of the force, said he had 4,000 fighters under his command. The guards have recently discovered a sense of kinship with Israel.

On her first visit to Israel last week, Mrs. Murr met with Prime Minister Menachem Begin for 45 minutes. An informed Israeli source said the Begin government would sponsor a tour of Europe by Mrs. Murr during which she would expound her views.

"Israel and Lebanon are two twins of civilization, to which the world owes almost the entirety of its civilization," said Mrs. Murr, 52, who teaches history at Lebanese University and the Lebanese Military Academy.

Mr. Akl, 70, said, "We are happy that the Israeli Army has come to do this heroic labor." He said the invaders were "cleaning Lebanon of the Palestinian dirt."

'How Big Is the Rice Ration?' — China's Curiosity About the West Grows

By Michael Parks
Los Angeles Times Service

CHENGDU, China — "If Americans are so rich, why do they eat so many potatoes?" No answer was really adequate to bridge the cultural differences reflected by this Chinese college student's question.

In China, rice and wheat are what people want — grain is four-fifths of their diet — and potatoes are just to keep poor peasants from starving. So to Chinese, most of whom envisage the United States as the land of plenty, it is only natural to ask why Americans eat potatoes at all.

"Well," the student said, digesting a long explanation about different tastes, cultures and climates, "just how much is your rice ration in the United States? Or is it a potato ration?"

No Potato Ministry

The idea that rice and potatoes are not rationed in the United States is difficult to accept, for in China the distribution of all important commodities is controlled by the government.

"But how can you be sure there will be

enough potatoes for everyone?" the 22-year-old student asked.

Again he found it difficult to understand that there is no potato ministry in the United States and that, for the most part, American farmers grow what they want to grow.

"I guess that America is not very much like China," the student finally concluded.

Differences in Regulation

With their desire to develop and modernize the country, Chinese are more than simply curious as they compare themselves and the way they live and work with Americans, Europeans and Japanese. Xenophobia still runs deep in China, but there is increasing realization that the country will have to learn from foreigners if it is to advance.

A senior police officer in Shanghai asked how the household registration system works in the United States. In China, this *hukou* system is used to keep track of the country's 1 billion people, record their births, marriages and deaths, limit their migration and enforce countless regulations.

The officer found it difficult to believe that there is relatively little personal regula-

tion of Americans' lives — and that many complain about even that.

"If we contented ourselves with simply keeping vital statistics and issuing drivers' licenses and such, we would lose control," he said. "I don't mean political control, but social control. And in a city of 11 million like Shanghai this would bring chaos."

The mobility of Americans surprises, even stuns, Chinese, for when the Chinese move it is likely that they have been moved by the government.

Freedom to Move

Told that the average American family moves every four or five years, a 34-year-old mechanical engineer here in Chengdu asked: "Why does the government do that? Doesn't it make people angry?"

Familiar only with China's system of state-assigned jobs and housing, he found it difficult to understand how Americans move from job to job or buy larger homes as their families grow.

"Until my father moved to the city in 1943, during the war, my family had lived in the same village for at least 30 generations,"

the engineer said. "Even now I consider that my native place although I am city-born."

Jon Ritter, an American who taught for more than two years in the provincial city of Hefei, said his students had difficulty grasping the idea that the United States was settled by colonists and understanding the impact of such pioneering on the American mind.

Frontier Mentality

"For people who have lived in a single place for all of recorded history, it is very difficult to understand the mentality of another people who came and kept pushing the frontier back," Mr. Ritter observed.

A passing reference to the American Revolution during a recent coffee shop talk with youths in the resort city of Hangzhou led to a prolonged discussion of its causes and historical impact.

"I had always considered the Russian Revolution the world's first and ours the second," a 24-year-old librarian said. "Of course, I had read of the French Revolution, but it seemed so, well, distant. It really is a surprise to me to learn that the American

Revolution came earlier and was against British imperialism."

European teachers here say that Chinese are equally mystified by the process of modern European development.

"Everything before Marx is obscure," said Joan Davidson, a British lecturer for the last three years at several provincial Chinese universities. "When they talk about imperialism or colonialism, there is no idea what really lay behind them."

"How large is the daily rice ration?" is an almost inevitable question for Westerners. Another is why blue jeans are so fashionable, particularly as Chinese are trying to shed their baggy blue clothes.

How do students get into college? Who pays? How do they find jobs afterward? Who takes care of the elderly? Do people really die for lack of medical care in the West? How many hours a week do you work? How much are you paid? How high are your taxes?

How great is racial oppression in the United States? Is America really run by Jews? How great is unemployment, how high is the

rate of inflation? Why is all American art abstract, all music rock 'n' roll, and why are all movies pornographic?

'Like a Pin Cushion'

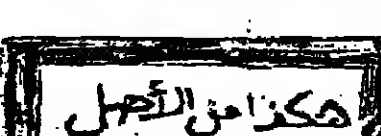
"I have been asked so many questions I feel a bit like a pin cushion," Mildred Eisler, 62, a tourist from Phoenix, Ariz., said here at the end of a three-week tour.

"At first, I was frightened by how little they knew of the West," Miss Eisler, a retired high school teacher, said, "but then I realized how little the average American knows of China. . . . Some of the questions were naive, some bizarre, some just unreal, but most were motivated by a desire to learn about us and, I think, from us."

"Our press has had difficulty getting away from the stereotypes of the West," said a Canton newspaper editor, "just as your press has had with China, and people as a result are uncertain about what is true and not true, what is good and bad."

"This makes it hard for them to form judgments and hard for us to carry out the country's modernization. . . . It is good, I think, that people are asking questions."

Compiled From Agency Dispatches



U.S. Considers Plan to Involve Foreigners in Test of Nuclear Reprocessing Plant

By Milton R. Benjamin
Washington Post Service

WASHINGTON — The Reagan administration is considering a proposal to let Japan and West Germany finance and participate in a full-scale test of a South Carolina nuclear fuel reprocessing plant that is capable of producing plutonium usable in weapons, the Energy Department has confirmed.

The proposed "cold test" of the Barnwell reprocessing plant — which would begin in late September and run for about 10 days — would not involve any fission products, but would demonstrate how safeguards at the plant would function if it were turning out plutonium that could be used in the manufacture of nuclear bombs.

The plant's owner, Allied General Services Inc., a consortium made up of Allied Chemical Corp., Gulf Oil Corp. and Royal Dutch

Shell — also has been soliciting British and French involvement in a test of its idle \$300-million facility.

But only Japan and West Germany expressed sufficient interest in putting up money for the \$1.5-billion test. They are included in Allied General's application to the Energy Department for permission to let foreign scientists and engineers observe a demonstration involving a "sensitive nuclear technology" that the United States has previously not shared with other countries.

The reprocessing plant, which needs an estimated \$400 million in related facilities to go into full operation, has been in limbo since 1977 when President Jimmy Carter, concerned about the risk of nuclear proliferation, ordered an "indefinite deferral" of commercial reprocessing in the United States.

The Reagan administration has been seek-

ing to revive the plant, and the Energy Department recently prepared for the White House a recommendation that the government underwrite the plant by agreeing to purchase its output of plutonium and by promising to buy out investors if U.S. policy changes again in the future.

The proposal, however, has run into stiff opposition in Congress, and a Congressional Research Service study sent to the House Energy and Commerce Committee on Friday sharply criticized the recommendation for not fully addressing the implications of "domestic and world use of plutonium as a nuclear fuel" in terms of "the possible future spread of nuclear weapons."

The information contained in the proposal "is inadequate for a top-level decision on a national policy of this import," the study said. The study also noted that the administration

plan envisions foreign investment in Barnwell — most likely by West Germany — and criticized the Energy Department report for being "silent on the access of foreign investors to the Barnwell reprocessing technology."

Congressman's Reservations

Rep. Richard L. Ottinger, a New York Democrat and chairman of a House energy subcommittee, raised the question of protecting sensitive nuclear technology Friday and called for an investigation of whether foreign participation in tests at Barnwell would "circumvent the Atomic Energy Act."

"These tests may well transfer sensitive reprocessing and safeguards information not now available to Japan and West Germany," Rep. Ottinger said. "This is yet another example of the Reagan administration's willingness to jeopardize our security by allowing the

spread of dangerous nuclear technology for the benefit of a few special interests."

James Buckham, president of Allied General, said the consortium that owns Barnwell expected government approval of foreign participation in the safeguards test "shortly."

Mr. Buckham said that permitting the Japanese to observe the safeguards system at Barnwell would not enable them to acquire any technology they do not already have in reprocessing. A number of U.S. nonproliferation experts, however, disagree and suggest that a Japanese scientific and engineering team could probably learn everything there was to know about Barnwell through watching it operate for 10 days.

Lasers Exported

WASHINGTON (NYT) — Administration

officials have announced that research lasers have been exported to West Germany and France but said that the equipment would not help either country produce material for nuclear bombs.

In separate statements, the departments of State and Energy said that tunable diode lasers for research had been exported since 1977 to Britain, France and West Germany by both the Carter and Reagan administrations and that the shipments represented no change in policy.

Officials were responding to a report last week that the Energy Department had secretly approved the export of laser systems that could make it cheaper and simpler for those countries to produce uranium and plutonium for atomic weapons. The State Department called the report "misleading and inaccurate."

Study Urges Pullout Of Most U.S. Soldiers In Europe, S. Korea

By Richard Halloran
New York Times Service

WASHINGTON — A new study published by the Institute of Foreign Policy Analysis here advocates withdrawing most U.S. ground forces from Europe and South Korea and relying more on sea power to defend American interests abroad.

The study, which reflects a spreading sentiment in Congress in favor of reducing American forces in Europe and Asia and making Europeans and Asians assume responsibility for most of their own conventional defense.

That sentiment, according to congressional officials, is expected to become stronger this year and next as more demands for restraint on military spending are heard in an effort to cut the federal deficit.

"The time has come for the United States to begin withdrawing most of its ground forces from Europe and Asia," the study says, "based on a realistic assessment of the ability to project power from sea to shore."

The study says, "The Japanese, no less than the West Europeans, should be expected to assume primary responsibility for protecting themselves from the regional threats posed by the Soviet Union as well as those presented by others."

The study also recommends that the United States modernize South Korean forces, then withdraw American troops.

The two-part study, "U.S. Strategy in the Crowded World," was written by Jeffrey Record, a senior fellow at the Institute of Foreign Policy Analysis, and Robert J. Hanke, a retired rear admiral and a political-military analyst. The Institute of Foreign Policy Analysis is a public group not identified with any political faction.

The Pentagon says that 40 to 60 percent of the military budget, which is estimated at \$215 billion for 1983, is committed to the North Atlantic Treaty Organization,

and that it would cost \$17 billion over five years to bring the troops back to the United States.

Sen. Theodore F. Stevens, Republican of Alaska and chairman of the Appropriations subcommittee on defense, says that U.S. military commitments to NATO will cost \$133 billion in the fiscal year starting Oct. 1.

The United States has 337,300 military men and women in Europe, of whom 220,000 are Army and Marine Corps troops. In South Korea there are 38,200 American troops, of whom 28,500 are ground troops. In both places, the rest are Air Force and Navy personnel, as are all the American forces in Japan.

In the study, Mr. Record asserts that two events dictate "a revolution in America's strategic outlook." One, he says, is "the steady, and apparently irreversible, disintegration of the North Atlantic Treaty Organization as an instrument capable of mounting an adequate collective forward defense of Western Europe." The second, he says, is "the emergence of a host of new threats to vital United States security interests in Southwest Asia and in other areas outside Europe where the United States does not enjoy politically secure military access ashore."

The study asserts that "Key European allies — notably Germany and the Low Countries, where most U.S. forces in Europe are stationed — are failing to do their part for the common defense."

"Adm. Hanks' acknowledgment that the conquest of Western Europe by the Soviet Union would be a severe blow to the United States," says, "Still, there is one solid truth from which Europeans cannot escape: For the United States, such an admittedly catastrophic development would not necessarily be fatal; for the nations of Western Europe, it most assuredly would be."

The study says that Army units should be brought home and most of them demobilized, and that the savings should be invested in making the Navy larger and the Army and Marine Corps more mobile.



MOOSE CALL — A U.S. Coast Guard boat is pulled by a 800-pound calf moose in Lake Superior. The Coast Guard was called out for fear that the animal, which had been tranquilized after running through part of Duluth, Minn., might drown in the lake.

Collapse of International Consensus Marked UN Disarmament Session

By Michael J. Berlin
Washington Post Service

UNITED NATIONS, N.Y. — A special General Assembly conference designed to rein in the nuclear arms race has ended after five weeks with little to show for the effort.

The outcome was anticipated by most diplomats, and some observers saw it as typical of United Nations forums — a vague blueprint for inaction, papering over the failure of consensus.

Yet many diplomats saw this failure as more damaging than most, dramatizing the collapse of an international consensus on the theoretical goals of arms control that had existed for more than a decade and that had been defined by the "action program" adopted by the General Assembly's first disarmament session, in 1978.

Disarmament Goals

In the interim the program had produced no action, which was one reason the second special disarmament session was convened on June 7.

Arms control activists, led by Mexican Ambassador Alfonso Garcia Robles, had hoped the new session, which ended Saturday, would promulgate a "comprehensive program of disarmament" defining a series of target dates for a comprehensive nuclear test ban, limits on nuclear arms production and deployment, and a treaty banning the production of chemical weapons, among other prime arms issues.

In the past, despite the reduc-

tion of the nuclear powers to be pressed on these issues in multilateral forums, there had been an activist and cohesive group of "middle powers" from the West and the Third World determined to elicit either grudging acquiescence or acute embarrassment.

This year, at a time when public awareness of the dangers of the nuclear arms race is far more intense, that core of activist governments has dissipated and Third World nations have fractured along East-West lines rather than press equally hard on Washington and Moscow for compliance with disarmament goals.

The conference organizers claim some success in public consciousness-raising, pointing to a rally that attracted an estimated 750,000 people to New York's Central Park on the first Saturday of the session.

There was also intense press coverage of the speeches by governmental leaders such as President Reagan, Foreign Minister Andrei A. Gromyko of the Soviet Union, Chancellor Helmut Schmidt of West Germany, Prime Minister Margaret Thatcher of Britain and Prime Minister Menachem Begin of Israel.

Most of the speeches, however, restated disarmament formulas, without fresh ideas or follow-up.

After the leaders left, the diplomats broke into working groups, where the specifics of the comprehensive disarmament timetable founded in the face of objections from both East and West.

The only tangible result was the creation of a "world disarmament campaign" — an institutionalization by the United Nations of the drive to promote public awareness and concern about the arms race.

Secretary-General Javier Perez de Cuellar had opened the conclave by pointing to the growing public awareness as "an encouraging phenomenon." But he warned as well that "if we fail to rise to it, if we continue to temporize, there will be a massive disillusionment about the credibility of the professed allegiance of governments to the aims of peace and progress around the globe."

Although the outcome surprised few diplomats, it outraged the activists from some 500 nongovernmental organizations.

Some 76 of them issued a joint statement expressing "our sense of outrage" at the "obvious failure of this session," and called it "a betrayal of public confidence."

"It has been proved countless times in the past that an agreement in the hands of the superpowers is merely a scrap of paper," the English-language China Daily said Saturday.

The China Daily, which is affiliated with the Communist Party newspaper People's Daily, said the two nations were forced into the talks by circumstances and political necessity rather than having a sincere desire to reduce armaments.

It said Washington was under pressure from its European allies and the growing U.S. anti-nuclear movement, and Moscow seeks to offset U.S. plans to deploy new missiles in Europe and to legalize its deployment of 300 SS-20 intermediate-range missiles.

U.S. Will Investigate Drug Use in Congress

By Walter Pincus
and Joe Piccirillo
Washington Post Service

WASHINGTON — Federal prosecutors have decided to break a longstanding policy by investigating members of Congress alleged to be cocaine users in an investigation of a drug distribution network in the Capitol, a well-placed source has said.

The source, a federal law enforcement official familiar with the investigation, said Saturday that Justice Department officials have told the U.S. attorney's office that because congressmen are public officials, prosecutors must pursue the allegations. Possession of cocaine is a federal crime, but federal prosecutors usually concentrate on drug dealers, not users, according to law enforcement officials.

The source said the allegations involving the congressmen remain unsubstantiated. "I don't know where we're going to get the proof at this point. We certainly can't have an undercover operation," especially since the investigation has been widely publicized, the official said.

The source believes that Justice Department officials were concerned with the appearance that would be created by not investigating the congressmen, "even though it is clearly not ordinary" to pursue users.

Drug Ring Probe

The federal grand jury investigating the drug ring had been concentrating on suspected ring members and Capitol Hill aides allegedly used to deliver the drugs to government offices.

Rep. Robert K. Dornan, Republican of California, who called last week for prosecutors to investigate the congressmen, said Friday that he was pleased with the decision.

Rep. Dornan, a member of the House Select Committee on Nar-

cotics Abuse and Control, had argued that congressmen must be held accountable for using cocaine because they pass the laws that determine the legal status of such drugs.

Last year, Rep. Dornan permitted an undercover Washington police detective to pose as one of his aides, and sources said that information developed by the investigator was turned over to a joint federal and police task force that arrested three alleged members of the cocaine ring in April.

Three Sources

Rep. Dornan said Saturday that Washington police detectives involved in the probe had told him that the investigation has turned up the names of one senator, six House members and two former House members as cocaine users. He quoted investigators as saying that three separate sources had implicated each.

Last week, Rep. Dornan requested a separate investigation by the narcotics committee, but he said Saturday that he no longer sees a need for such an inquiry, although he wants the panel to hold hearings on possible congressional drug use.

The cocaine investigation is separate from investigations being conducted by the Justice Department and the House ethics committee into allegations that some congressmen solicited and had sex with teen-age congressional pages.

Last week, Leroy Williams Jr., 18, a former page who is the primary source of the allegations, failed a lie-detector test administered by the FBI when he was asked about sexual relations with congressmen, according to Mr. Williams' lawyer and an FBI official.

He had told the FBI that he had had sexual relations with three



Leroy Williams Jr., a former congressional page, after a meeting with members of the U.S. House ethics committee.

congressmen and that he had arranged for a senator and a congressional aide to have sex with prostitutes.

Two of the congressmen, the senator and the aide have told the Washington Post that the allegations are untrue. The third congressman has not been reached for comment.

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VOA Director Pledges Increase in Editorials

By Jonathan Friendly
New York Times Service

NEW YORK — The director of the Voice of America has said that he will broadcast more editorial opinion and that he is creating a position of chief editorial writer.

The director, John R. Hughes, who was in New York Tuesday to mark the opening of a new studio for the government radio service, also said it has started broadcasting in its 40th and 41st languages — Pashto to Afghanistan and Azerbaijani to the Soviet Union, Iran and Turkey. The Pashto service is particularly timely, he said, because the Soviet thrust into Afghanistan has increased the need to send outside news to that country.

The mission and operations of the Voice of America have been debated for over a year. Conservative Republicans, including close advisers to President Reagan, have contended that it failed to present government policy vigorously, particularly in its broadcasting to the Soviet Union and other East European countries. Liberal Democrats and some of the agency's staff journalists, on the other hand, have argued that increasing its propaganda role would jeopardize

the radio's reputation for even-handed presentation of the news.

The president's first director of the agency, James B. Conkling, was caught up in the debate and resigned in March, saying that he could not apply his experience as a businessman to solving the problems of a governmental entity.

Plans for Agency

Mr. Hughes, a former editor of The Christian Science Monitor, was confirmed by the Senate July 1. In an interview, he discussed some of his plans and the some of the issues affecting the agency, which spends \$110 million a year and broadcasts 950 hours of programming a week.

Mr. Hughes worked in the programming section of the International Communication Agency, of which the Voice of America is a part, before taking on his present job. The head of the former agency, Charles Z. Wick, is among those who advocate a strong editorial response to Soviet propaganda, and Mr. Hughes was active in several such projects.

He said the time the Voice of America had devoted to editorials, as opposed to news and analysis, diminished under previous administrations, reflecting a foreign policy that "was not provocative but not assertive." But he said that the agency's mandate includes articulating the viewpoint of the government and that he expects the new chief editorial writer to produce at least one editorial a day.

He said he had chosen Seth Cropsey, a former reporter for Fortune magazine, for the position because he is intimately familiar with administration thinking and can present it clearly.

Editorials will be clearly labeled as such, Mr. Hughes said. He said they will have no more effect on the credibility of the news broadcasts than an editorial page of a newspaper has on the news columns.

China and the Third World countries of Asia, Africa and Latin America are of growing importance to the agency, he said, but the Warsaw Pact countries of Eastern Europe are still the primary audience. He said he had named an advisory panel, including the Soviet cellist, Mstislav Rostropovich and other émigrés, to suggest ways of improving broadcasts to the Soviet Union and its allies.

Malaysia Minister Held in Slaying of Parliamentarian

By Reuters

KUALA LUMPUR, Malaysia — A Malaysian minister has been arrested in connection with the killing of a prominent politician eight days before Malaysia's general elections on April 22, the prime minister's office said.

A statement Saturday said that Datuk Mokhtar Hashim, 40, minister of culture, youth and sports, and four other persons were to be charged in court later in the day.

Mr. Datuk Mokhtar was to be charged under Section 302 of Malaysia's penal code, the statement added. The section deals with premeditated murder and carries a mandatory death penalty.

The dead politician, Datuk Mohammed Taha Talib, 55, speaker of the assembly in his home state of Negri Sembilan, was found dying of gunshot wounds outside his home in a village about 65 miles (about 100 kilometers) from Kuala Lumpur on April 14.

Mr. Datuk Mokhtar was promoted to full minister in 1980 after holding several deputy ministerial portfolios including defense and foreign affairs. He was reappointed to his current position after the April general election. He is also deputy leader of the national youth movement of the main political party, the United Malay National Organization.

In the past, despite the reduction of the nuclear powers to be pressed on these issues in multilateral forums, there had been an activist and cohesive group of "middle powers" from the West and the Third World determined to elicit either grudging acquiescence or acute embarrassment.

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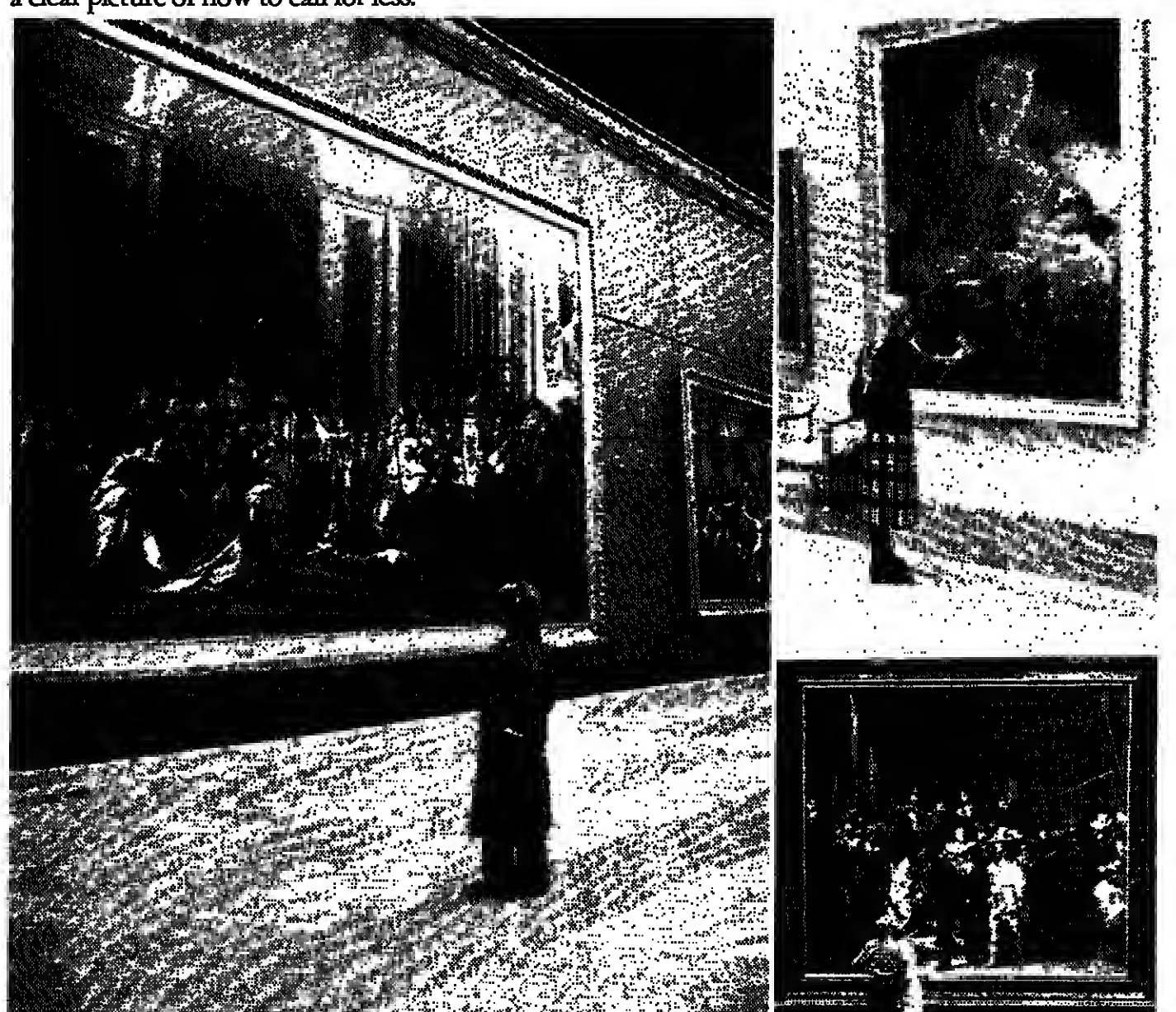
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Ukrainian Jailed On Slander Charge

United Press International

MOSCOW — A Pentecostalist from Kharkov in the Ukraine has been jailed on charges of anti-Soviet slander because of a letter that his family wrote to President Ronald V. Reagan, according to a statement from his family.

Alexei V. Roshupkin, 56, a father of seven, was arrested Feb. 16 and is being held in isolation in a cell in the Ukrainian city of Donetsk, the family said in the statement, which reached Moscow on Saturday. Two relatives, who were allowed to visit him May 31, said his health had deteriorated dangerously and he had complained of chest pains.

The family was told the charge involved a letter that "discrimination, repression and slavery" of religious believers in the Soviet Union. The family applied to emigrate in January 1978. They received no answer to the request.

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From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

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Palestinian Prospects

From Defeat to Recognition?

From THE WASHINGTON POST:

Is a grand irony now taking place in the Middle East? Israel invaded Lebanon not simply to crush the PLO as a military force but to put it out of business as a political force, the better for Israel then to impose its own cramped brand of autonomy in the West Bank and Gaza. But unexpected turns in the war may be setting the stage for a resurgence of the PLO as a political force, in ways confounding Israeli war plans and offering vistas that no one else had imagined.

The most obvious evidence of the PLO's new lease on political life is its participation in the Beirut talks with the governments of Lebanon, the United States and Israel. These talks concern not just lifting the siege of the city but determining that it is ensuring the PLO's organizational continuity. It was not possible for the Americans and Israelis to have a voice in working out the first task without leading legitimacy to the second. No less than the Lebanese, however, Americans and Israelis have accepted the PLO as a working partner in their mind-boggling common enterprise. Who would be surprised to learn down the road that American, and perhaps even Israeli, negotiators saw their Palestinian counterparts coming or going?

In Washington, the war has freshened the sense that the Palestinian question is central in the Middle East and that the PLO unquestionably represents the Palestinian people. Already the question has arisen of whether the United States is slipping off its long-standing pledge not to "recognize or negoti-

ate with" the PLO unless it accepts Israel first. The policy does not appear to have changed, although certainly it should if PLO evolution makes it possible.

In any event, the policy has been shown not to stand in the way of exchanges of the sort now being conducted in Beirut. The connection, although indirect, is open, and through it the United States is taking a leading role in ensuring that if all goes reasonably well the PLO will emerge unbowed though bloodied from the war, and that its political identity will be preserved. In public words, furthermore, President Reagan, while disavowing the "armed PLO," is plainly trying to draw the political side of the PLO into concession that it would permit the direct American dealing and PLO participation in the Camp David procedures.

In this regard, the PLO's reaction to the prospect that American forces might be sent briefly to Beirut to help cover its departure is interesting. The symbolism of rescue by a force identified in PLO propaganda as Israel's patron is offensive to Yasser Arafat, but he understands well the practical value of rescue and he has shown himself alert to the possibilities of using the operation as a key to broader, more overtly political dealings with the United States.

Many people are still saying — and therefore in a sense anticipating and condoning — that the PLO's only post-Lebanon option is further terror. But that outcome is not fated. The blessings of the peacemaker will fall on politicians who hold open another choice.

A Letter Reagan Should Write

From THE NEW YORK TIMES:

Dear Menachem:

As I consider our joint predicament, and opportunity, in the Middle East, it occurs to me that the warmth of our meetings always seems to prevent clear discussion of cold realities. So instead of inviting you back to the White House soon, let me set down plainly the policies I will now pursue.

Against our insistent counsel, you have plunged deep into Lebanon much deeper than your immediate security required. The loss of life has been terrible. So is the loss of American credibility, in Israel as well as Arab eyes. I aim to restore it by making clear our respect for legitimate Arab interests and our sense of responsibility for Israel's actions.

I do not deny that your strike north opened some promising political paths. The PLO is isolated and disarmed. Your brilliant aerial defeat of Syria nullified Soviet power in the region. With the simultaneous collapse of Iraq in Iran, our friends in Egypt, Saudi Arabia and other moderate states gained new reason to cooperate, among themselves and with America. That is why we have stood by you in this excessive venture. But opportunities are a boon only if seized.

By the time you read this, we may have achieved the first of many disengagements to move you, Arafat and the Syrians out of Lebanon. But this Beirut end-game is trivial. I will not let American energies be ensnared by the feudal, probably irreparable divisions of Lebanese society. If its leaders will not join to save their nationhood, they will just have to fight it out. Americans will not be the patient policemen, and neither will Israelis who use American weapons.

Having removed the PLO's military threat, you have no further need to meddle in Lebanon. Your security interests reach, at most, 25 miles north: the final Israeli withdrawal from that line should depend on guarantees for your frontier, and nothing else.

Drug Abuse in Sport

From THE WASHINGTON POST:

America's warrior heroes, the handsomely paid athletes of big league sports, had better clean up their act. Again, this time after a grim account of drug abuse by defensive lineman Don Reese in Sports Illustrated, there is widespread concern about the influence of drugs and those who push them in the locker rooms of the pros. Even leaving aside the obviously strong feelings of Mr. Reese about the subject, and about the National Football League, every major sports league has been embarrassed by addict-athletes.

The extent of drug abuse in the pros is not clear, but the impact on professional sports is. It is threatening whatever credibility they still enjoy. Even assuming that drugs are no more prevalent among athletes than in any other occupational group, every story of a fallen idol is damaging to the young who look to these players as role models.

Were it not for this influence of sports on youth — which, like it or not, is here to stay — there might be little reason to care what these grown men do to themselves. If they

can't perform, that's tough; it's private industry. And the presumed majority of today's professional athletes who do not use drugs can choose simply to ignore the habits of their addicted or dealing teammates.

But they do so at their peril, not only because this ignores the damage done to the reputation of the pros, but also because it encourages a criminal element to influence personal performances and team results.

There is an effective method of dealing with major league drug abuse: urinalysis. But no, say most of the players and their unions, this would be an assumption of guilt, an invasion of privacy and a change in working conditions not included in union contracts.

Some constructive steps have been taken by the leagues, team owners and players to treat drug addiction as a health problem and to emphasize help rather than punishment. And ultimately the decision to use drugs or quit rests with each player. But if drug abuse is to be addressed as a genuine health problem, all players should accept independent, confidential testing as normal procedure.

Your friend,
Ron.

Counting On Mr. Shultz

By James Reston

WASHINGTON — George Shultz will be the sixth U.S. secretary of state in 10 years. (The Soviet Union has had only one in the last 25 years.) Shultz will soon be confirmed during another Middle East conflict and an East-West crisis over trade and nuclear arms control, and at the beginning of a national congressional election, but he will be welcomed by Congress, the allies and the Soviets for a variety of reasons.

For there is general agreement, both at home and abroad, and even within the Reagan camp, that the conduct of American foreign policy under the Reagan-Haig-Clark-Weinberger team was full of personal tension and policy disputes and needed a good steady relief pitcher at state for the last innings of the Reagan administration.

George Shultz may add a sense of history and even a sense of humor to the Reagan administration, both badly needed. Unlike Henry Kissinger, he brings no enemies to the job. Nobody is mad at him. Unlike Al Haig, he talks softly in plain language and is beyond political ambition.

More important, as a trained economist and former head of the budget, labor and treasury departments, he knows the vital influence of economic and financial policy on foreign affairs, and doubts the value of trade sanctions as a club to influence the policies of other countries.

This may foreshadow some conflict for Shultz with the right wing of the Republican Party and even from influential members of the Reagan Cabinet, who believe that "the clear and present danger" to the republic is the military buildup of the Soviet Union, rather than the disarray of the free world's economy, with its alarming unemployment and interest rates.

No doubt the Senate will want to question Shultz about what he thinks of President Reagan's decisions to order American companies or their European licensees not to provide modern technology for the Soviet Union's gas pipe-

line to Western Europe, and about whether this is legal or helpful to U.S. relations with the European allies or Moscow. And also whether it is in America's national interest to provide modern military weapons to Taiwan at the risk of harming trade and political relations with the Chinese Communist government in Peking.

All this will not be easy for Shultz, who will have to "understand" what the Reagan administration has done in El Salvador, on the pipeline, in Lebanon, on the PLO, on Israel's policies in the West Bank and Gaza and on Menachem Begin's invasion of Beirut, without insisting that he would support such policies in the future.

The Senate will undoubtedly be sympathetic to Shultz's dilemma and confirm him in a hurry, for few observers have much confidence in the way foreign policy has been defined or administered by the Reagan team in Washington. Many in both parties would welcome any change, particularly with the help of a man who has the confidence of the White House, who has confidence in the Foreign Service (which is probably the best in the world) and who has been holding things together while Reagan is trying to sort things out.

The question is whether the White House team will give Shultz the authority, which they denied Alexander Haig, to formulate and administer foreign policy in the long-range interests of America; or whether the foreign policy amateurs in the White House will second-guess him for short-term political, ideological or personal reasons.

This we don't know. We don't even know whether Shultz asked for the ground rules before he took the job. Probably not, for that is not his style. But once he is confirmed and the November election is over, Reagan will probably have his summit meeting with President Brezhnev. There then may be a year for Shultz to influence foreign policy before the 1984 presidential election struggle starts at the beginning of 1983.



Shultz will have some trouble with the supporters of Israel, who wonder about his Bechtel commercial connections with Saudi Arabia. "If I have any difference with Reagan," Shultz said in an interview in 1980, "it's about Middle East policy." However, most people who have known him well over the years count on his character and not his connections. Otherwise Shultz would undoubtedly have stayed home.

"I met no one in public life," former Secretary of State Henry Kissinger wrote about Shultz in "Years of Upheaval," "for whom I developed greater respect and affection. If I could choose one American to whom I would entrust the nation's fate in a crisis it would be George Shultz."

Of course, excluding himself, Kissinger was Ronald Reagan would get into serious trouble in the world, which he did, and that maybe Reagan would call on him to repair the damage, which Reagan didn't. Failing that, the president's choice of George Shultz is regarded by most everybody else as a good choice in a bad situation.

The New York Times.

When All Seems to Conspire to End the World

By Victor Perera

SANTA CRUZ, Calif. — I read the

second of Jonathan Schell's New Yorker essays on the prospects of nuclear holocaust while sitting in the palm-thatched Lacandon "god-house" of Naha, about 65 miles southwest of Palenque in the heart of southern Mexico's rain forest. It was an appropriate experience, since for the surviving 150 or so traditional Lacandon Mayas, the threat of extinction is nothing new.

Several years ago when the Mexican Department of Forestry built logging roads through the Lacandones' 3,000-square-mile preserve and felled 400 giant mahogany trees in the vicinity of Naha, the world to all intents and purposes ended for the *hach winik*, or "true people," as the Lacandones call themselves.

Mahogany is the linchpin that holds together the fragile rain-forest ecology. They also provide the Lacandones the material for their dugout canoes, their fences, the walls of their huts and many useful and ceremonial artifacts. The logging of these 400 centurion giants, some of them as tall as 300 feet, doomed Lacandon culture as surely as the extermination of the vast herds of bison doomed Plains Indian culture in the United States in the 19th century.

Old Chan K'in, the octogenarian *to'ohil*, or religious and civic authority of Naha, maintains that without mahogany "the forest dries up and degenerates into a barren and tangled underbrush in which only the poisonous snakes can thrive." And without their tradition, he says, "the *hach winik* degenerate into drunks, liars and thieves, no different from the men who burn and despoil our forest."

Chan K'in believes, as his Mayan forebears did, that the world is subject to continuous cycles of death and renewal. After every large calamity, the Lacandones traditionally discard their old gods, embodied in more than a dozen individualized day-insect burners, and make new ones. In a ceremony that lasts weeks and involves a strict regimen of fasting, the insect-burner renewal has not been held for 12 years, and it is not clear when Chan K'in will call for a new one. The insect-burners now in the god-house are brimming with the ash of thousands of unanswered prayers.

Chan K'in predicts that the *xi'tan*, or end of the world, is now close at hand, because there is too much cold and it is making its way into the roots of all living things — plants and animals as well as people — so that all wish to die. He firmly believes that the instruction to bring about the world's end is inscribed in our cells, so that we all have become unwitting or purposeful agents of the *xi'tan*.

Evidence for this prophecy is all around him, in the havoc wreaked on his forest community by the depredations of chicde gatherers, missionaries and loggers, and more recently by oil drillers and package tours. The process of cultural disintegration in Naha is well advanced.

A year after the felling of the trees, Chan K'in's oldest son, who is the community's president, bought two trucks with the mahogany revenue and opened a store where he stocked with Chicso, Raleighs and Nescake.

According to a divination Chan K'in cast years ago, the *xi'tan* would arrive around 2008, and we would see

a preview — a *chichin xi'tan*, or "little world's end" — in 1982.

At the time Chan K'in made his prediction, before the arrival of the loggers and the planeboards of French and West German tourists, the Lacandon universe did not extend very far outside the boundaries of their forest. In Chan K'in's recent stories, however, Akyahob, the god of the foreigners, has assumed a disproportionate role, and his power has grown so that he now rivals the Lacandones' own traditional deity, Hachakum.

Lacandon oral tradition provides several different scenarios for the *xi'tan*, among them earthquake, solar eclipse and conflagration. The vision Chan K'in describes most often is a deluge out of ancient folk legend, strikingly like Genesis, during which it rains day and night for 10 years and fierce winds knock down all the forest trees. Akinchob, the maize deity and man's protector, gathers together all the animals and people, Lacandon and non-Lacandon, and

stows them into a huge canoe. After the rising waters cover the world, the rains cease and the boat descends slowly to dry land, in Palenque. Akinchob then replants maize as well as the flowers and the trees whose seeds he has kept in his house; then the Lacandones begin over again by making new insect burners, praying and giving offerings to Hachakum. "And this way," Chan K'in concludes confidently, "the world will be renewed once again and our lord will once more be pleased with his creatures."

On March 28, Chichonal volcano in Pichucalco, about 150 miles from Naha, erupted for the first time in centuries. A rain of volcanic ash soon covered much of the Lacandon forest, and in Palenque there were reports of asphyxiated children. In Naha no one has died, but the confields turned a ghostly silver gray.

The writer, a University of California lecturer, is co-author (with linguist Robert D. Bruce) of "The Last Lords of Palenque: The Lacandon Mayas of Southern Mexico."



With a Soccer Ball Instead of Guns

By Flora Lewis

PARIS — One thing that makes

Americans different from practically everybody else is lack of passion for soccer, which everybody else calls football. The referee changed his mind and disallowed the point. There was a lot of talk about the persuasive power of petrodollars and how the Soviets meddle among the Arabs.

That's the way it is. But the French went on to score again, beating Kuwait, 4-1. Satisfaction was gained. The outcome, if not the method, was accepted and nothing was blown up.

The match with the most sensitive implications was Poland vs. the Soviet Union, which the organizers managed to put off for a couple of rounds. But it was unavoidable, as the Poles kept finding at home. Having beaten Peru and Belgium, a match that peacefully broke up what could have turned into a violent demonstration in Poznan because everybody had drunk too much beer, the Poles waited for the match.

The Greeks used to tell us that there is a series of highly questionable field decisions represented an attempt to make up for the players' failings. "The referees were the Spanish team's best forwards," it said.

So the World Cup didn't interrupt the world's habits. It just provided another, unnamed arena that people could watch with unrestrained emotion, finding identity with neighbors and nations, discovering heroes and villains and waving the flag.

That way, by one count that determined victor and vanquished without multiplying widows, orphans and maimed survivors. It is an idea worth pursuing. Some people protest that politics really mustn't be allowed to intrude on sports. The other way around might be better, insisting that national clashes take place on the sports fields. And let the best team win, until the next match.

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The New York Times.

The Boom Fades in Australia

By John Shaw

SYDNEY — Until recently, Australians believed themselves to be living in a land of permanent prosperity. But they are now awakening to the harsh realization that their country, with its vast natural resources, is sliding into recession along with the rest of the world.

It is the global slump that is primarily responsible for Australia's growing economic problems. With their own industries in trouble, the United States, Japan and other countries have been compelled to curb investments in Australia and purchases of its raw materials.

The fading of the Australian boom is bound to affect the conservative government headed by Prime Minister Malcolm Fraser, a millionaire rancher who won re-election two years ago on the promise that he would sustain the economic surge.

His party took a beating in recent state and local contests, and Fraser could be defeated when he faces voters at the end of his term next year. But the left-of-center Labor opposition would be saddled with the same difficulties if it replaced him.

The picture of Australia as a future Eldorado was based on the expectation of limitless demand for its huge deposits of minerals, oil, coal and natural gas. Experts estimated that as much as \$80 billion might be invested by foreign corporations during the 1980s in gigantic projects designed to develop these resources. At the time of his re-election in 1980, Fraser said that \$30 billion in foreign investment was already in the pipeline.

Those numbers now look wildly optimistic. Although the country has not been reduced to poverty, formerly hopeful investors are scaling down commitments, and the growth rate has slowed as a result. Inspired by the energy crisis, for example, the Japanese in particular were attracted by Australia's oil, coal and natural gas potential, but the present glut has dampened their enthusiasm.

An ambitious oil shale program in Queensland has been abandoned as have schemes to promote coal liquefaction and other synthetic fuels.

With factories closing in the United States and Western Europe, demand for Australia's iron ore, aluminum and other metals has fallen sharply. Plans to build a \$600-million aluminum smelting plant in New South Wales have been canceled.

A contributing factor to the slump has been soaring interest rates, partly a consequence of President Reagan's strict monetarist policies. In Australia, as elsewhere, borrowing has simply become too expensive.

Unemployment has passed the million mark, the worst level since the 1930s. The trade deficit is enormous, with the prospect ahead of a currency devaluation. And economists forecast worse to come in the form of bankruptcies and inventory cuts.

The situation is having a singular psychological effect on Australians, as many discover that their land may not be as wealthy as they thought. Press and television commentators are starting to question whether the boom years of the 1970s was just an illusory public relations ploy.

Yet amid the disencouragement some Australians are spending more than ever. Auto sales are high, restaurants report brisk business, vacation travel abroad is up. Carriers, the Paris jeweler, has just opened a luxury boutique in Sydney, which is already overpopulated with lavish shops.

Essentially, Australia's recovery will depend not on Australia but on the ability of other industrial nations to weather the recession. Only then can they afford to import Australia's resources and revive its economy in the process. The country is still dependent on the outside world — from which, in many ways, it has so long lived in blissful isolation.

The writer, an Australian journalist, contributed this column to the International Writers Service.

LETTERS TO THE EDITOR

Scorning Diplomacy

The downgrading of diplomatic expertise in the United States is probably understandable in a country so geographically isolated from foreign intervention. America's traditional differences in life beyond its borders is reflected in the low priorities accorded to the teaching of world history, contemporary geography and foreign languages, and in the consequent poor results in these fields. Yet Ronald Reagan claims leadership of the Western democracies.

BARBARA STERN,
Maisons-Laffitte, France.

Opinion and the PLO

The lingering hostility of American public opinion toward the PLO reflects a long-standing bias nurtured by the American press and a powerful pro-Israel lobby. When public opinion is shaped without due consideration of justice, the resulting situation is scandalous.

That America should not recognize the Palestine Liberation Organization as the voice of a disenfranchised people borders on folly. One can ask why the United States should mingle in a Middle East peace effort when it refuses to be evenhanded.

Americans have been inculcated with a sense of responsibility toward the Jewish people after the tragedies of World War II. Yet when the vanquished become exterminators in turn, a hue and cry should be raised. Why do principled defenders of justice in the United States rest silent while Israel defiantly exterminates Palestinians with tacit American support? The use of American military hardware in Lebanon appears to have wrenched few hearts across the Atlantic. Is it that injustice can be opposed only when it is too late?

Most European countries now recognize PLO diplomatic missions. It is true that the PLO has in the past re-

sorted to wanton violence. But the many murderous Israeli raids into southern Lebanon have deprived Israel of any monopoly of virtue.

Murder is murder. Who among murderers is more justified?

EDWARD ALAN YERANIAN,
Paris.

Light and Darkness

Regarding "Consensus for Israel Is Cracking" (IHT, July 2), Anthony Lewis should read the editorial entitled "Judging Israel Fairly," which replied to him on the same page. How could Israel behave "as a light among nations" when it is fighting for its survival? Or when the darkness among nations — on Syria, Iraq or the Soviet Union, for instance.

ROUBEN HAIM HAWA,
London.

America's Role

It is hard to take at face value President Reagan's repeated assertions that the United States government was surprised by Israel's invasion of Lebanon. It is doubly hard to accept his contention that once the invasion was under way, the United States could do nothing to contain it.

Are we expected to believe that the roughly \$2.5 billion in military and financial aid that the United States does out to Israel every year could not have been used to influence the actions of Israel?

J.M. BRADLEY,
Boon.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

JULY 12: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Pacific Fleet Debated

NEW YORK — Editorial opinion, crystallized by developments since President Roosevelt announced that the battleship fleet would go to the Pacific, has become practically unanimously favorable to his policy, proclaiming it a proper move for the protection of the insular possessions and the Panama Canal, many declaring it should have been done long ago. Most writers regard war as impossible, except at Japan's seeking. They agree Japan would excite no international sympathy by exhibiting belligerence on such grounds. However, the world demands that the president rescind his order sending the battleships, because it will make Japan angry and precipitate a fight.

1932: Belgian Coal Strike

CHARLEROI, Belgium — With the coal mine region in a fever of excitement as a result of the last few days' rioting led by Communists, and martial law prevailing, the strikers have proclaimed a mass meeting in the place du Manège here. Nearly 50,000 workers are called to assemble. The mob of strikers have stoned police, invaded the chateau of the director of the Providence factories and burned his garage. Similar scenes of wild disorder are expected if the miners' leaders decide on the "revenge" threatened on large posters throughout the city. Recalling the unhappy days of the war, Charleroi and Mons are armed camps, with streets torn up and police barricades erected.

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War Still Haunts Falklands Life

Snow Covers Shell Holes as Hunt for Bombs Continues

By Mark S. Smith

The Associated Press

STANLEY, Falkland Islands — Snow covers the Falkland Islands, now in the Southern Hemisphere, winter, concealing the shell craters and other scars of the battle between Britain and Argentina that ended last month.

But reminders of the 74-day conflict remain. Every morning, as the sun creeps over the low hills northeast of Stanley, the islands' army helicopters swarm into the sky, applying soldiers, islanders and supplies from the dozen British ships anchored in the harbor and port William's anchorage just to the north.

Every evening, British Army Col. John Mills goes on the local radio station to give progress reports toward clearing away land mines and unexploded bombs.

White Tape a Warning

Chatting with Patrick Watts, who runs the station, Col. Mills says things such as, "We're trying to sort that out, Pat" or "I must urge your listeners not to cross areas that have been roped off by white tape."

At the Falkland Islands Co. headquarters, manager Harry Milne is trying to restore sheep shearing and wool-shipping operations that were hard hit by the conflict. But his large dock facility is also being used by the military men to unload supplies.

"We're sharing," Mr. Milne said. "All things considered, it is working with fantastic good will."

"The damage from two months of occupation by Argentine troops who invaded on April 2, and three weeks of fighting after British forces landed, is remarkably light."

Town Was Lucky

Perhaps a dozen Stanley houses suffered serious damage from the bombardment that preceded the final British assault. The police station was also a casualty, its roof torn off by a British rocket.

In Goose Green settlement, the recreation hall is in rubble from a British Harrier plane strike. At Ajax Bay, one of the sites of the May 21 British landing, an old refrigeration plant has gaping holes from two 1,000-pound (450-kilogram) Argentine bombs.

"The town was lucky," said Stu-

art Wallace, an employee at the Stanley office of Cable and Wireless. "I'm listening now to reports from Lebanon. That puts things in the correct perspective."

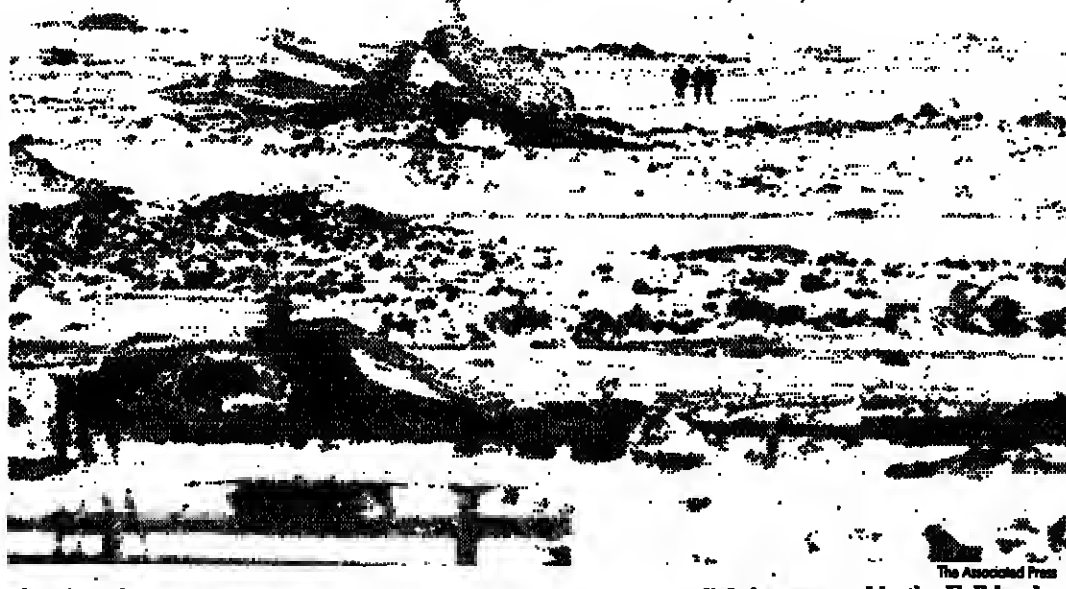
Argentine weapons, helmets and ammunition that littered the roadside in this town of 1,000 people have been stockpiled at a corner of the airfield, along with wrecked Argentine aircraft.

Stanley's population, which fell to about 600 at the height of the fighting, is gradually trickling back from the outlying farms — the "camp" in islander parlance.

Don Davidson, manager of a Stanley waterfront guesthouse said there are hundreds of craters on Mount Longdon from the British shelling of Argentine troops. "Sort of like the dimples in thick chocolate pudding," said Mr. Davidson, a naturalist who used to spend much leisure time in the hills.

British troops are gradually being rotated home as the battle cleanup continues and more permanent bases are being set up.

Islanders say there have been some incidents of friction with the British troops. "We have to have patience," said Eric Goss, manager of the settlement of Goose Green.



Stanley airport presents a snow-covered vista three weeks after fighting stopped in the Falklands.

site of one of the bloodiest battles of the land campaign.

Today, Goose Green's residents are outnumbered more than 3-to-1 by Nepalese Gurkha soldiers garrisoned in farm buildings.

"We've been screaming for this

kind of protection for years," Mr. Goss said. "Now we have it. They will fit into this community just fine."

The Gurkhas are treated with little show of veneration by the Goose Green residents. A Gurkha

lance corporal was killed when his shovel hit a grenade as he was filling in trenches. "We know it could just as easily have been one of our children," Mr. Goss said. The soldier is buried at the cemetery in nearby Darwin.

Dominican Democracy Lives On After Guzmán

United Press International

SANTO DOMINGO, Dominican Republic — The suicide of President Antonio Guzmán on July 3, six weeks before the end of his term, has not affected the orderly transition of power — a tribute to democracy in a nation that was long ruled by dictators.

"All of us panicked when we heard the president was dead," recounted a young man in Mr. Guzmán's Dominican Revolutionary Party. "Everyone grabbed his pistol. We were sure it was a coup."

Such fears were unfounded. There was no attempt by the military to seize power.

The chiefs of staff pledged their support for the constitution, and Vice President Jacobo Majluta was sworn in July 4 to complete Mr. Guzmán's four-year term. President-elect Salvador Jorge Blanco is to be sworn in on Aug. 16.

The Nation Stunned

"I think the days of barracks coups are behind us," said Joaquín Balaguer, who served four terms as president but was defeated in the 1978 elections by Mr. Guzmán.

The nation was stunned by Mr. Guzmán's suicide. The 71-year-old cattle rancher and businessman widely respected for his defense of civil liberties and for pardoning some political prisoners, locked himself in the bathroom of his office at the national palace just before midnight July 3 and shot himself in the head with a gold-plated 38-caliber revolver.

Friends and party leaders say they believe Mr. Guzmán was depressed because he was soon to leave office and because of pressure from subordinates who feared they would be caught in a government corruption investigation promised by President-elect Blanco. Mr. Guzmán had chosen not to run again in the May elections.

"He told me he had had to fire or demote several officials" because "he was sure they had not lived up to their duties," said José Francisco Peña Gómez, secretary-general of the ruling party and a critic of Mr. Guzmán's conservative economic policies.

His Last Day

He said Mr. Guzmán had committed suicide as "an act of supreme responsibility, of civic courage, of patriotic shame."

Mr. Guzmán spent his last day at his family beach house in Juan Dolio, 20 miles (32 kilometers) east of Santo Domingo. That night, he decided to return to his office — something he rarely did on weekends — with his son-in-law and secretary, José María Hernández.

Just before midnight, he went into the bathroom and locked himself in. A shot was heard. Mr. Hernández and Mr. Guzmán's military bodyguards broke into the bathroom and found Mr. Guzmán.

The bodyguards rushed him to a military hospital, and frantic officials called the U.S. Embassy, which lined up a jet to fly from a

Navy base in Puerto Rico to take Mr. Guzmán to a U.S. hospital.

"About 5:30 in the morning they called us up and said to call it off, the president was dead," an embassy source said.

Mr. Guzmán, apparently unwilling to let his death damage the democracy he had fought so long for, had called Lt. Gen. Mario Imbert McGreggor, the armed forces secretary, back to the capital from an out-of-town trip the day he shot himself.

Although Gen. Imbert has not revealed what they discussed, the well-informed Ultima Hora newspaper reported that Mr. Guzmán said it was up to the military to protect the democracy, begun with regular elections only in 1966 after a bloody civil war and a heritage of dictatorships.

Mr. Guzmán fired some officers upon his inauguration but cultivated the friendship of other generals, whom he called "my sons." The benefits to the nation of his friendship became clear the night of his suicide.

"Just a few years ago all the generals would have raced to the palace, and whoever arrived first would declare himself president," one Dominican said.

Mr. Majluta took the oath of office at 6:06 a.m. July 4, then called editors of the Santo Domingo newspapers to the palace, where he informed them that Mr. Guzmán was dead, an apparent suicide.

"I called one general on the phone to ask for information and he couldn't talk," a reporter said. "He was crying like a baby."

Maria Jeritza, 94, Operatic Star In Vienna and New York, Is Dead

New York Times Service

NEW YORK — Maria Jeritza, 94, renowned operatic soprano, died Saturday.

She was prima donna of the old school. When Maria Jeritza swept onstage — a tall, imperious, yet feminine woman — audiences knew they were in the presence of a star.

Miss Jeritza was one of the great artists of what is now known fondly as opera's "golden age," or at least the latter part of it, from 1910 to 1930. It was a time in which opera singers were accorded a sort of mass adulation they hardly receive today. In the two cities in which Miss Jeritza based her career, Vienna and New York, she was a household word.

Opinions vary as to her greatest role, but there can be no question that the title role in Puccini's "Tosca" was the part by which the general public knew her best. Singers to this day copy her in many details — above all in singing "Vissi d'arte," her great second-act aria, prostrate on the floor before the diabolical Scarpia.

Miss Jeritza was born in Brno, Czechoslovakia — then Brinn, Austria — on Oct. 6, 1887. Her original name was Mitzi Jeddlicka, but she changed it to Jeritza.

Although her family was poor — her father was a concierge — she received early dramatic and vocal training, and made her debut as a member of the Olmütz Opera company in 1910. Five months later she won a position at the Vienna Volksoper, with Elisabeth in Wagner's "Tannhäuser" as her debut role.

But it was not until Emperor Franz Josef heard her as Rosalinda in "Die Fledermaus" at Bad Ischl, a summer spa, that she was invited

Salvadoran Guerrillas Try to Regain Unity, Political Momentum

By Alan Riding

New York Times Service

MEXICO CITY — Although increasingly confident about its military capacity, El Salvador's guerrilla-led opposition coalition is still struggling to develop a coherent political and diplomatic response to the situation created by the March elections.

Key opposition leaders interviewed here and in Central America concede they misread the mood of the country when they called for a popular insurrection and a boycott of the elections. As a result, they suffered a serious political defeat when more than 1 million Salvadorans turned out to vote.

Further, they said, international pressure on the Reagan administration and the Salvadoran government to accept negotiations with the Democratic Revolutionary Front, the non-Marxist allies of the Salvadoran guerrillas, has noticeably eased in the last three months.

Even a Mexican peace initiative for the Caribbean basin faltered after the March 28 elections, according to the opposition leaders.

Instead of leading to a new strategy by the guerrillas of the Farabundo Martí National Liberation Front, the postmortem on the elections appears to have exacerbated many of the ideological differences that have long existed among the five guerrilla groups in the front.

No Broad Plan

"To be absolutely frank," said a guerrilla leader, "we don't have a broad diplomatic or political plan at the moment. The only thing we have done since the elections is prove we can't be defeated militarily."

Other leftist analysts argued that the opposition had recovered some lost political ground thanks to actions by President Alvaro Alfredo Magaña's new conservative government, which suspended an ambitious land redistribution program and tolerated human rights violations.

"After the elections, we were in had shape in the U.S. Congress," the guerrilla leader agreed. "But now Congress is coming alive again and putting obstacles in the way of the administration. Soon they'll again decide that negotiations are the only way out."

Before the elections, the guerrillas and their non-Marxist allies won considerable international support by calling for a new, broad-based government that would organize "authentic" elections. Since then, however, Mr. Magaña, José Guillermo García, the defense minister, and Roberto D'Aubuisson, the president of the Constituent Assembly, have dismissed the idea of negotiations.

Efforts last month by Panama's president, Aristides Royo, to promote peace talks caught even the opposition off guard.

After conferring in Havana with President Fidel Castro, Mr. Royo invited Mr. D'Aubuisson to Pana-

ma for a meeting with a Cuban envoy. Later, Cuba's vice president, Carlos Rafael Rodríguez, said in New York that Mr. D'Aubuisson had also met guerrilla representatives.

But spokesmen for the guerrillas strongly denied any contact with Mr. D'Aubuisson. "No one can talk on our behalf, not even our dearest and closest friends," said José Napoleón Rodríguez Ruiz of National Resistance, one of the five groups in the guerrilla front.

But the question of negotiations has sown tensions within the opposition alliance. Some U.S. officials have suggested privately that a deal could be worked out with National Resistance and its democratic ally, the Popular Social Christian Movement, which is made up of dissident Christian Democrats. Aware of this, other leftist groups have begun to look on them with suspicion.

The two smallest members of the guerrilla front, the Salvadoran Communist Party and the Revolutionary Party of Central American Workers, also support the idea of negotiations.

But the People's Revolutionary Army, which is based in Morazan province and has the strongest armed forces, believes the government will accept a negotiated solution only after further military gains by the rebels.

In contrast, the oldest leftist group, the Popular Forces of Liberation, remains skeptical about negotiations.

With little prospect for an early settlement of the civil war, the guerrilla groups are again looking for ways of reviving grass-roots organizations that were effective in destabilizing the military regime in the late 1970s. Leftist analysts argue that these organizations, which were crushed by repression, must be activated if a popular insurrection is to succeed.

However, rather than working closely with the others, each rebel group appears to be reviving the partisan grass-roots organization through which it operated before formal unity was achieved in the guerrilla front in 1980. "There's a real danger of each group going its own way," a guerrilla leader admitted.

Even rebel leaders who favor early negotiations seem prepared to carry on the war indefinitely. "We hope that our military victories will result in peace talks," said a leftist linked to the People's Revolutionary Army. "But if they don't, we'll change our strategy. But we won't give up."

Report by Rights Panel

SAN SALVADOR (UPI) — The Salvadoran Human Rights Commission said Saturday that 1,535 civilians had died in political violence since the March elections and charged that "up to today there are no actions to determine who is responsible for the assassinations."

Britain Reported Set To Return Argentines

Compiled by Our Staff From Dispatches

LONDON — Britain will repatriate 590 Argentine prisoners captured in the Falkland Islands within a few days, British newspapers said Sunday.

A report by the Sunday Express supported a similar dispatch in Buenos Aires by the private news agency Dinero y Noticias.

The Express said trade sanctions against Argentina will be maintained for the time being and the 300-mile exclusion zone around the islands will continue to be patrolled.

The Sunday Telegraph said Prime Minister Margaret Thatcher will discuss the prisoners' release when she meets United Nations Secretary-General Javier Pérez de Cuellar in London Tuesday and Wednesday during his European tour.

Magnanimous Gesture

The Argentine prisoners are on a merchant ship anchored off the Falklands. Although Argentina's military rulers have declined to formally agree to a cease-fire, Mrs. Thatcher has decided on a "magnanimous gesture" and offered to return the prisoners "with virtually no preconditions," the Express reported.

It said the decision is "a complete reversal" of earlier government policy. But "it reflects the growing understanding in Whitehall that no leader in Buenos Aires could ever accept publicly the complete humiliation of his country."

The Telegraph said prospects for the prisoners' release were helped by Argentina's freeing its only British prisoner of war, Flight Lt. Jeffrey Glover, captured when his Harrier jet was shot down. He arrived home Saturday.

There was no immediate official comment on the reports.

A Foreign Office spokesman said Saturday that the British government has received no reply to several requests over the last month asking Argentina to agree to a formal cease-fire in the Falkland Islands war.

IRS to Aid Enforcement Of Draft Registration

By Robert L. Jackson

Los Angeles Times Service

WASHINGTON — Thousands of young men who have not registered for the draft will start hearing from the Internal Revenue Service next month in a controversial program that has nothing to do with taxes, it has been learned.

Lending a hand to the Selective Service System, IRS officials have launched a drive to identify the names of 250,000 nonregistrants who once filed tax returns.

Early next month, the IRS will send the first 75,000 notices to persons suspected of not registering or the draft, warning them that they could be prosecuted under Selective Service laws. The warning letter will state that draft evasion is a felony punishable by up to five years imprisonment and a \$10,000 fine.

The IRS has the most up-to-date addresses for working men of draft age, but it will not furnish the recipients' addresses to draft officials, at least for now.

Progress Is Reported In Romania's Debts

The Associated Press

PARIS — Representatives of the governments of Romania's 15 creditor countries met in Paris to discuss rescheduling repayment of direct loans and guaranteed debts falling due this year, according to the French Ministry of External Relations.

Because of the progress made during the discussions Thursday, participants agreed to hold another meeting in the coming weeks in order to reach a final agreement, ministry said Saturday. An accord to reschedule Romania's debt will allow it to reduce its current account deficit sharply this year and perhaps eliminate it in 1983, the Romanian government expects a deficit of \$450 million this year.

For recipients who fail to respond by either registering or pointing out a government error, full addresses could be furnished later by the IRS to Selective Service officials on grounds that a criminal violation is probably occurring, IRS spokesman Scott Waffie said Friday. Mr. Waffie also confirmed IRS plans for the mass mailing.

The intensive project, however, is opposed by some IRS officials who contend that confidential tax-return data should not be used on a wholesale basis for other federal enforcement efforts.

"Ever since the Nixon White House tried to use IRS to harass its political enemies, there's been an institutional resentment over here toward the use of IRS files for nontax purposes," an official said.

In a recent court ruling in the District of Columbia, U.S. District Judge Gerhard A. Gesell upheld the right of the Social Security Administration to review income-tax records of welfare recipients suspected of cheating the government.

But IRS aid in tracking down nonregistrants would apparently be the broadest enforcement effort the tax collection agency has undertaken that has nothing to do with taxes or federal finances, authorities said.

Mr. Waffie said that officials have taken steps to assure the confidentiality of tax-return data, in this case with the taxpayers' addresses. Thus, the IRS itself will mail out the warning notices, Mr. Waffie said.

The nonregistrants who will be contacted are 75,000 next month and 175,000 more early next year — among an estimated 527,000 men who have not registered with the Selective Service since registration resumed in 1980.

Although there is currently no draft, young men born in 1960 or later are required to register when they reach the age of 18. One man was indicted recently for failing to register.

U.S. Underestimating Toxic-Lead Level in Air

By Sandra Sugawara

Washington Post Service

WASHINGTON — Most air-pollution monitors have repeatedly underestimated levels of toxic lead in the air, according to an internal Environmental Protection Agency memorandum released by an environmental group and a member of Congress.

The memorandum, obtained under a Freedom of Information Act request and released jointly on Saturday by the Natural Resources Defense Council and Rep. Toby Moffett, Democrat of Connecticut, provides further ammunition to critics of the EPA proposal to relax restrictions on lead in gasoline.

The EPA memo said that the lead level in most areas is probably higher than tests indicate because monitors were located too far from roads, in areas with little traffic or at elevations considerably higher than ground level.

A Strong Correlation

It also concluded that there appears to be "a very strong correlation" between the amount of lead in gasoline and the amount of lead in the air, something the EPA has not publicly acknowledged.

The memo was dated Jan. 27, 1982, a month before the EPA announced that it was considering whether to relax the lead level standard.

EPA spokesman Byron Nelson said: "This issue is being looked at as part of the decision-making process. It is only one of many issues being looked at. The review is currently ongoing and absolutely no decision has been made on lead."

Mr. Nelson declined further comment on the ground that he had not seen the memo. EPA em-

ployees involved with the issue could not be reached.

Lead has long been known to have adverse health effects, particularly on children. But the lead industry and some refineries have argued that the 1979 restrictions gradually reducing gasoline lead levels have so improved air quality that there are no longer health reasons for retaining the regulations. They also complained that the standards were extremely costly.

In response to industry pleas, the Presidential Task Force on Regulatory Relief directed the EPA last August to relax the lead level standard. The EPA rejected that approach as political suicide and instead announced in February that it was considering several proposals ranging from total elimination of the standards to retention of the current rule.

The memo on the monitoring problems was written by Robert Kenney, chief of the EPA's state and local control programs section, in anticipation of the agency's announcement. Mr. Kenney said he was asked to review the impact that weaker lead standards would have on lead concentrations in the air. But he said the quality of the data made that almost impossible.

"The vast majority of lead monitoring which has been done in the past has been at sites which were not designed to measure maximum lead concentrations," Mr. Kenney wrote.

It would be "irresponsible" for the Reagan administration to weaken the lead rule, Rep. Moffett, chairman of the House Government Operations subcommittee on the environment, said.

Shultz Chooses Aide From Foreign Service

Washington Post Service

WASHINGTON — George P. Shultz, the secretary of state-designate, has chosen a career Foreign Service officer as his executive assistant at the State Department, but a widely rumored candidate to be Mr. Shultz's top deputy has taken himself out of consideration for the job.

The Foreign Service officer, Raymond G.H. Seitz, is the first official selected by Mr. Shultz, who was named by President Reagan on June 25 to succeed Alexander M. Haig Jr.

Mr. Seitz, 42, has served in Canada, Africa and London as well as several posts in the State Department in Washington, including the executive secretariat. His most recent job was that of deputy assistant secretary in the Bureau of Public Affairs.

Meanwhile, Lawrence H. Silbermann, who has been widely rumored to be Mr. Shultz's likely choice as deputy secretary of state, has made it known that he would

not take the job for what friends called personal reasons.

Mr. Silbermann, executive vice president of Crocker National Bank in San Francisco, was solicitor of the Department of Labor in 1969 and 1970 when Mr. Shultz was secretary of labor. Later, Mr. Silbermann served as undersecretary of labor, deputy attorney general and ambassador to Yugoslavia.

In the last several years both Mr. Shultz and Mr. Silbermann have been business executives in the San Francisco area, where Mr. Shultz was president of Bechtel Group Inc. Mr. Silbermann is considered both strongly conservative and pro-Israeli and thus, in the view of some, would have been a logical counterpoint to Mr. Shultz's centrist tendencies.

Mr. Shultz will appear Tuesday at a public hearing of the Senate Foreign Relations Committee, the first step in his confirmation process.

Trudeau Asserts U.S. Domination Extends to Europe

The Associated Press

OTTAWA — Prime Minister Pierre Elliott Trudeau says that Europeans now are suffering the same type of U.S. economic interference that has annoyed Canada for years.

He was referring to the decision last month by President Reagan to broaden sanctions to restrict European help in the construction of a Soviet pipeline that would deliver natural gas from Siberia to Western Europe. Mr. Reagan's order expanding U.S. sanctions to include the sale of equipment and technology by foreign subsidiaries and licensees of U.S. companies drew an angry response from West European leaders.

Mr. Trudeau said Friday, "I think that suddenly the Europeans have realized how serious a situation it is when a country as powerful as the U.S. can impose the application of its laws, especially in the economic field, on other countries."

JAZZ AT THE CASINO DE PARIS
Jean MEYAN - Denis DARGENT
FROM JULY 15 TO 25

15: Koffi and Marielle LAMBOUE
John McLAUGHLIN and THE TRANCELOCS
Ray BARRETT
17: Momo DIBANGO
19: Rena GIZ
20: SUN RA ARKISTRA
21: ZAKA PERCHESON
22: NYMANIA
23: KALAM
24: CARLA BIEY

LOCATION AT THE THEATRE
16, rue du Châtelet (97)
and 2, place du Châtelet
SINAT TOURSME BOULOGNE
INFORMATION: 271.14.66

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THE REVOLUTION
AT THE CHAMPAGNE CLUB

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Reservations for the evenings of July 13/14 at \$22.63.44 extensions 3017/3024. Champagne Club 51 Rue François-Ier 75008 Paris. Dinner-dance with a 1/2 bottle of Champagne per person, \$ 350 all incl. on July 13. \$ 400 all incl. on July 14.

IN THE UNIQUE HOTEL NOVA-PARK ELYSEES

International Bond Prices — Week of July 8

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston

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Am	Security	Yield	Price	Life	Cur
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STRAIGHT BONDS
All Currencies Except DM

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MONDAY, JULY 12, 1982

Page 7

Bond Markets Wary As Interest Rates Fall

By Carl Gewirtz
International Herald Tribune

PARIS — Incrédulous, investors sat on the sidelines last week as short-term dollar interest rates fell sharply.

There was no doubting the drop in rates. The cost of overnight money in New York tumbled about 2 percentage points to 12 1/2 percent while six-month Eurodollars ended the week at 15 1/2 percent, down from 16 percent Monday.

There was also no doubt why rates were falling: The Federal Reserve consistently funneled money into the market. But what troubled investors was the reason why the Fed was acting the way it was.

There appeared to be only two explanations. Either the Fed was relaxing its controls over the growth of bank reserves, and paving the way for a fall in interest rates, or it was seeking to calm financial markets roiled by the collapse of Penn Square Bank and spreading fears about the health and safety of U.S. banks.

EUROBONDS

way for a fall in interest rates, or it was seeking to calm financial markets roiled by the collapse of Penn Square Bank and spreading fears about the health and safety of U.S. banks.

Chase Manhattan and Continental Illinois were two banks that had bought substantial amounts of loans from Penn Square that turned sour.

Coming on top of the bad loans to International Harvester, Mexico's Alfa group, Poland, and Romania — to name just the obvious big ones — the Penn Square episode raised in many minds questions about how well-managed U.S. banks are.

Crummy Little Outlets

"When such crummy little outlets have such an impact on markets," one senior banker said, "you have to ask yourself what else is waiting out there to explode."

This nervousness was echoed elsewhere. The ratings of six major Canadian banks — Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto Dominion Bank, Bank of Montreal, Bank of Nova Scotia, and Mercantile Bank of Canada — were reduced last week by the Dominion bond rating service, setting off a new round of the rating service attributed to the weakness in Canada and the banks' traditional concentration of loans to specific customers and industries.

In West Germany, rumors were flying that at least one, maybe two banks were in trouble. Bank für Gemeinwirtschaft, a target of the rumors, felt obliged to deny publicly that it was in difficulty, a view the Bundesbank publicly seconded. But financial problems at Neuhäuser, a major housing development company, and AEG — coming on top of the West German banks' heavy exposure to Eastern Europe — are eroding confidence in the banks.

Meanwhile, the troubles at Banco Ambrosiano were provoking fears of a widespread financial scandal in Italy.

Typical Talk?

For one British banker, all of the talk about a systemic weakening of the banking sector was nothing more than "typical end-recession rumors — a sign that the tight monetary policy of the Fed is beginning to bite."

Nevertheless, the international market was considerably jaded. Prices of bank paper, particularly the issues of Continental Illinois and Canadian Imperial, were down three to four points, with most market makers refusing to quote a price. Overall, as Eurobond prices rose on the decline of short-term rates, the prices on floating rate notes (the vast majority of which are issued by banks) failed to follow the trend and eased slightly.

While the market tried to sort out whether the Fed had really changed policy or was just trying to calm the markets, the news late Friday that the U.S. money supply plunged \$3.7 billion in the latest week was greeted with considerable relief. The most optimistic forecast had called for a decline of \$2 billion, and the outcome lent credibility to the view that the Fed had shifted gears.

By the time New York markets closed, six-month Eurodollars were quoted at 14 1/2 percent, down 1/2 point from the close in London, while the dollar dropped to 2.4765 Deutsche marks from 2.49 at the close in Frankfurt.

New York analysts now anticipate a cut in the Fed's discount rate from the current 12 percent, and the long-ferred bulge in the money supply expected to be reported this Friday — the estimates range from \$3 billion to \$10 billion — looms as a less threatening event as the growth to date is \$5.5 billion below the Fed's upper target.

Fed Action

Henry Kaufman, the chief Salomon Brothers economist, commenting on the recent meeting of the Fed's policy making Open Market Committee, said Friday: "It may well be that the Fed formalized for the first time a reserve strategy that would allow for the large growth of NOW accounts in M-1 (the narrowly defined measure of money supply). NOW accounts have increased by \$9.6 billion so far this year, more than accounting for the total growth of M-1."

"Thus, a somewhat more liberal growth path for reserves is probably allowable for the remainder of the year."

Eurobond Yields

For Week Ended July 7

10% term, 10 term, US\$	14.94 %
10% term, 10 term, US\$	15.79 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %
10% term, 10 term, US\$	16.19 %

Market Turnover

For Week Ended July 9

Code	Total	Dollar	Non-dollar
Eurobond	5,677.8	5,576.7	1,103.1
Eurobond	5,677.8	5,576.7	1,103.1

(All figures in U.S. dollars)

Source: Reuters

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George P. Shultz

Bechtel's Major Projects in the Arab World

Aug. 1974	Yusuf, Saudi Arabia	Contracted to plan and design a \$100 million airport in the Saudi capital.
Jan. 1976	Algeria	Contracted to complete a \$100 million gas project that produces 1 million cubic feet a day.
Jan. 1976	Jordan, Saudi Arabia	Signed 20 year agreement for management and engineering services for the \$1 billion industrial project in the small Bahig harbor on the Persian Gulf.
March 1977	Algeria	Awarded a \$400 million contract for engineering, procurement and construction management of two natural gas processing plants.
Sept. 1977	Yusuf, Saudi Arabia	Named prime contractor to conduct engineering studies and develop cost estimates for a large petrochemical complex at the Red Sea port.
Oct. 1977	Algeria	Awarded a \$550 million contract with Chad's Chemical Engineering of Chad for a gas-gathering project in the Chad desert in the Fouta Djall.
Oct. 1978	Yusuf, Saudi Arabia	Awarded a \$100 million contract for the \$1 billion petrochemical complex at the Red Sea port.
Aug. 1979	Algeria	Bechtel International contracted to design and construct a 900-megawatt power plant near the Egyptian capital — a \$480 million project sponsored by the World Bank.
Oct. 1980	Jordan, Saudi Arabia	Bechtel won a \$18 million contract to provide process and preliminary engineering for a 250,000-barrel-a-day refinery at this city on Saudi Arabia's western coast.

Shultz Places Bechtel in Spotlight

Company's Arab Ties Cause Concern in Washington

By Thomas C. Hayes
New York Times Service

LOS ANGELES — It started out small and unobtrusively when a resourceful German man named Walter A. Bechtel in 1958 hired out himself and a pack of mules to help build a railroad.

From such beginnings, the tiny California construction company blossomed into the giant of the engineering and construction industry, its builders dotting the landscape of the world with such engineering marvels as the Hoover Dam, the trans-Alaska pipeline and the Washington, D.C., subway system.

The company is no longer small; only governments can pay for most of the kinds of things it builds today. But the privately owned Bechtel Group has tried to retain the reclusive ways that have characterized its operations through three generations of Bechtels.

It issued its first annual report only three years ago, and company executives even now are hesitant to grant interviews.

Yet the secrecy that has enveloped Bechtel is expected to be lifted a bit by the appointment of George P. Shultz, its president until two weeks ago, to replace Alexander M. Haig Jr. as secretary of state.

As conflicts in Lebanon and Iraq threaten to recast U.S. interests in the Middle East, Mr. Shultz's activities at Bechtel involving Arab nations are expected to attract close scrutiny at the Senate Foreign Relations Committee confirmation hearings this week.

Certain to draw fire are Bechtel's links to Saudi Arabia, which said the company in obtaining the construction manager job on the Saudis' big Jubail development project.

As Bechtel's president, Mr. Shultz brought vital contacts with officials of foreign governments, particularly the Middle East, when soaring oil prices gave the energy-producing nations billions of dollars to spend on construction projects.

Mr. Shultz, in fact, has publicly questioned President Reagan's pro-Israel stand. "If I have any difference with Reagan," he said during the 1980 presidential election campaign, "it's about Middle Eastern policy" as set forth then by Mr. Reagan in a speech before the U.N. General Assembly.

In his eight years with Bechtel, which reported billings of \$11.4 billion last year, Mr. Shultz acquired a reputation as an efficient, pragmatic executive. His familiar face and polished manner made him a welcome and influential standard-bearer for Bechtel in the capitals of the Middle East. He is credited by associates with helping what may be the world's largest construction company to adapt to sweeping political and economic changes.

Bechtel is controlled and aggressively led by Stephen D. Bechtel Jr., 57, who is the chairman and chief executive officer, and who has also assumed the title of president. Mr. Bechtel, trained as an engineer and

(Continued on Page 9, Col. 7)

M-1 Report Sends Bond Yields Down Sharply

By Michael Quint
New York Times Service

NEW YORK — The Federal Reserve's report of an unusually large decline in money supply has strengthened hopes for lower interest rates.

"This may be a watershed for interest rates this year," Maury Harris, an economist at Paine

U.S. CREDIT MARKETS

Webster Inc., said of the Fed's report Friday of a \$3.7-billion drop in the week ended June 30. "The level of money supply is now so far below target that the Fed has a lot of room to tolerate a big increase early in July without feeding a need to react."

After the Fed report, traders in the Treasury securities market quickly concluded that lower interest rates are much more likely. In the last hour of trading Friday, Treasury bill rates fell about 1/4 percentage point; three- and six-month issues closed Friday at 11 1/2 percent and 11 1/8 percent respectively, down about 1/4 point.

On Tuesday, the three- and six-month issues were auctioned at average rates of 12 1/2 percent and 12 1/8 percent.

Treasury note and bond prices, which had increased only slightly before the money supply announcement, rose by about a point in late trading. It was the second consecutive day of sharply higher prices. Among active issues, the 14 1/2-percent notes due in 1986

were offered late in the day at 103, up more than 1/4 point, to yield 13.86 percent, while the 14 1/2-percent notes due in 1989 rose 1/4 point to 102 1/8, to yield 13.9 percent. The 14-percent bonds due in 2011 closed at 104 1/4, up more than 1/4 point, to yield 13.42 percent.

Before the latest money supply data, many analysts feared that an early-July bulge in money supply, which is expected to show up in next Friday's report, would cause the Fed to make reserves scarcer in the banking system, thereby pushing up interest rates.

Late Friday, however, analysts said the combination of slower-than-expected money supply growth, a weak economy and the growing number of bankruptcies would lead the Fed to push interest rates down slightly. Before the \$3.7-billion drop in the money supply measure, the analysts were uncertain if a weak economy and increasing bankruptcies alone would be reason enough for the Fed to make credit more plentiful.

Paul W. Boltz, a money market economist at Continental Illinois National Bank, concluded that the decline in M-1 to the lowest level since late February meant that the Fed can make credit, or reserves, more available to the banking system without being accused of "throwing in the towel" and creating so much money that it would revive inflationary expectations.

"The Fed is now engaged in a move to make reserves more available," Mr. Boltz said. He estimated

ed that the increased availability of reserves in the banking system pointed toward a 12 percent rate for overnight bank loans in the federal funds market, down from the average of 14.47 percent in the week ended July 7. Other analysts said that the funds rate might drop to between 12 percent and 13 percent and that in a few weeks the Fed may cut the discount rate, the fee it charges on loans to banks, from the current level of 12 percent.

The M-1 money supply measure consists of currency plus checking accounts at banks and thrift institutions. Except for one week in late February, M-1 is at the lowest level of the year, and it is \$6 billion below the level consistent with the Fed's top growth target of 5 1/2 percent for the year.

Measured against the Fed's last announced interim growth target, 3 percent from March to June, the \$451-billion average for M-1 in June is slightly below the top end of the range. Analysts noted that because M-1 fell \$9 billion in the last three weeks of June, the July average is likely to remain within the Fed's interim target, even if there is a large increase early in the month. Such a large rise is expected because of earlier-than-normal distribution of Social Security checks, which will be increased by a cost-of-living adjustment.

Data for the week ended July 7 showed that the Fed made reserves so available in the banking system that bank borrowing at the discount window (excluding seasonal

loans and loans to troubled thrift institutions) fell \$321 million, to an average of \$734 million. Because there were \$694 million of excess reserves, the net borrowed reserve position of the banking system fell \$618 million to only \$40 million.

The Fed ruling allows Citicorp to offer computer programs, services and hardware to other banks, businesses and consumers, thus putting it in direct competition with computer companies.

According to its application, Citicorp is considering a wide range of services. It expects to sell programs on a time-sharing basis to other banks and businesses, allowing them to perform such tasks as credit analysis and financial modeling. It plans to provide accounting, bookkeeping and economic forecasting for business generally. It also wants to provide customers with access to data bases containing information such as economic statistics and foreign currency quotes that are stored in Citicorp's computers.

Fed Backs Citicorp Computer Plan

New York Times Service

NEW YORK — The Federal Reserve Board has cleared the way for Citicorp to enter the data processing and transmission business through a subsidiary to be known as Citicore.

The board's 6-to-0 vote Friday approving Citicorp's application was a victory for the bank holding company in a three-year battle with computer services companies that contended Citicorp would be able to offer unfair competition because of its existing contacts with potential customers.

Patrick J. Mulhern, Citicorp senior vice president and general counsel, said the ruling would clear the way for the holding company, parent of the nation's second-largest bank, to offer such new services as banking at home on computer terminals and electronic publishing of financial and economic data, which Citicorp's customers would be able to read on computer terminals.

"It sounds as though what we asked for, we got, pretty much," Mr. Mulhern said. "It will have real significance in our being able to compete in the new world of technology, and we couldn't be more pleased."

The pace-setting Federal Reserve Board ruling is expected to clear the way for other bank holding companies to enter the rapidly growing field of data processing.

The Fed said it found no evidence that, as the computer services firms fear, Citicorp would use its sales of computer services to making of loans through its Citicorp unit or that it would subsidize its computer services with revenue from other activities.

Citicorp was not given a carte blanche entry into computer services, however. Its activities must be restricted to "banking, financial and economic data."

Jerome Dreyer, president of the Association of Data Processing Service Organizations, which represents computer service companies, said it was likely the group would appeal. But he said the decision was not as permissive in allowing Citicorp's expansion as he feared it would be.

Banks already engage in data processing and transmission for their internal needs and for their banking customers. Computers, for instance, are used to keep track of bank balances and for financial analysis. Automatic teller machines represent a form of data processing and transmission.

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CURRENCY RATES

Interbank exchange rates for July 9, excluding bank service charges.

	\$	£	D.M.	F.F.	Y.	S.F.	S.P.	D.R.
Amsterdam	2.73	4.74	110.3	36.85	1.772	17.28	129.47	21.90
Bombay (a)	47.34	81.87	19.015	4.845	3.402	7.28	22.39	5.597
Frankfurt	2.49	4.29	108.25	35.8	1.74	16.4	127.6	21.56
London (b)	1.773	3.15	100.0	32.0	1.6	16.0	120.0	21.0
Paris	1.363	2.402	90.0	28.0	1.5	15.0	115.0	20.5
New York	—	—	—	—	—	—	—	—
Porto	4.023	7.14	27.8	8.7	0.87	8.7	28.0	6.0
Zurich	2.175	3.85	94.0	30.0	1.57	15.7	120.0	21.0
1 ECU	0.478	0.856	23.41	6.577	1.224	12.24	48.0	1.074
1 SDR	1.0615	0.613	2.701	7.297	1.5154	15.154	51.673	2.283

Dollar Values

	\$	£	D.M.	F.F.	Y.	S.F.	S.P.	D.R.
Amst.	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
Bombay	26.72	47.34	100.0	32.0	1.6	16.0	120.0	21.0
Frankfurt	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
London	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
Paris	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
New York	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
Porto	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0
Zurich	1.014	1.773	100.0	32.0	1.6	16.0	120.0	21.0

(a) Commercial trans. (b) Amounts needed to buy one pound. (*) Units of 100, (c) Units of 1,000.

OPEC Risks a Free-for-All As Output Accord Unravels

By Bradley Graham
Washington Post Service

VIENNA — OPEC's production and pricing agreement has unraveled with the oil ministers' failure to decide how to deal with cheating by some members.

After two days of intense and often quarrelsome discussions, the ministers issued a communiqué Saturday announcing that they were suspending their deliberations "until further notice."

A New Glut?

Marc Nan Nguema, the organization's secretary-general, told reporters at a midnight news conference that all major elements of OPEC's production and pricing system, except for the commitment to maintain a \$34-a-barrel reference price, would come "under study," meaning that the rules were no longer in effect.

The failure to reach a decision by the 13 OPEC members raised the risk of a free-for-all among the oil exporters that could lead to a new oil glut and fiercely competitive price discounting.

Banks Preparing to Offer Hungary A Credit of at Least \$200 Million

By Carl Gewirtz
International Herald Tribune
PARIS — A group of international banks is scheduled this week to offer Hungary a loan of at least \$200 million for three years.

Ten of the 19 banks invited have agreed to participate in such a loan, bearing interest at 1 1/4 percent.

SYNDICATED LOANS

over the London interbank rate, and another has tentatively accepted.

The group includes four U.S. banks, two French banks and one bank each from West Germany, Austria, the Middle East and Japan. The tentative acceptance is from a British bank.

Half of this group agreed to underwrite \$25 million each while the others were willing to put up only \$20 million. The lower figure was finally chosen but it is expected that when completed the syndicate will comprise 15 banks—bringing the total to \$300 million.

The operation has generated considerable comment in the market, with a number of loan officers scoffing at its significance.

"This is not a market loan if the only way it can get done is for the vice chairman of one bank (Manufacturers Hanover Trust, which is coordinating it) to call the vice chairman of other banks," said one critic.

Policy Making

But those involved in the deal rejected this criticism. "Loan officers don't make bank policy," said one senior banker. "If banks hadn't stopped lending to Hungary and asking for their deposits back, there'd be no problem. It's only at the senior level of management that a decision can be made to resume business."

"The significance of this operation," he added, "is that it is a clear sign of the degree of faith by a broadly based group of major banks that Hungary deserves support. It definitely is a positive development."

Nevertheless, the question remains whether the willingness of these banks to make this loan, coupled with \$310 million from major central banks and an upcoming credit from the International Monetary Fund, will unblock Hungary's access to the Euro market.

Also scheduled to be launched shortly is a \$750-million loan for New Zealand Refinery Co. to finance the expansion of New Zealand's only oil refinery. Terms are expected to be broadly similar to those of its \$500-million, 12-year credit signed in 1980. Interest on that loan was set at half a point over Libor for the first three years,

rising to 3/4 point for the next five years and 1/2 point for the final four years.

Public Power Corp. of Greece is scheduled to award a mandate for its \$250-million loan early this week. Four syndicates are bidding for the business. Up to \$50 million is expected to be raised as a floating rate note—a disguised syndicated credit whose higher commissions will fatten the return to banks and enable a cosmetic lowering in the terms of the company syndicated credit.

Cosmetic Question

The remainder will be raised as a classic syndicated credit. Still undecided is whether the cosmetic reduction in Greek borrowing costs, relative to the central bank's recent eight-year loan carrying a half-point margin over Libor, gets translated as a longer maturity or a lower margin.

Primer is raising \$500 million in a one-year transaction priced at half a point over Libor. The loan is a pre-financing of oil sales to Cie. Francaise des Petroles (\$300 million) and Italy's Agip (\$200 million). A similarly structured \$300-million loan is being arranged with Canadian banks.

Also turning to the short-term market is Uruguay's hydroelectric agency, Palmar. Interest on its \$130-million, one-year loan is to be set at one point over Libor. Uruguay last year paid a split 3/4-to-1/2 point over Libor for 10-year money. The current loan can be extended twice, for a total life of three years. If leaders desire, and each time Uruguay is to pay a 1/4-percent extension fee.

Venezuela, meanwhile, which turned down bankers' terms on a proposed jumbo loan, has arranged a \$200-million loan from a group of Japanese banks led by Sumitomo. The eight-year loan is said to carry a margin of 3/4 point over Libor. This is one year longer than proposed for the jumbo and a quarter of a point cheaper.

Venezuela is raising a \$100-million, one-year loan in general syndication carrying a margin of half a point over Libor.

Unusual Fees

Elektrosil, a 98-percent owned subsidiary of Brazil's Eletrobras, is seeking \$135 million for eight years, offering 2 1/4 points over Libor or 1 1/2 points over the higher of either the prime rate or the adjusted rate for 90-day certificates of deposit.

Of special interest are the fees, which can run up to a very hefty 2 1/4 percent. The basic fees range from 1/4 percent for participants taking up to \$2 million to 1 1/4 percent for managers taking \$5 million or more. For banks taking the

Eurodollar portion, additional fees ranging from 1/2 to 1 percent are offered. These latter commissions are shaved by half a point for banks exercising an option to take additional loans guaranteed by the West German or Italian export credit agencies.

For every \$1 of the Eurodollar credit, banks can take half a dollar equivalent of a 10-year Deutsche mark loan guaranteed 100 percent by Italy's Socre. Or banks can take the equivalent of 25 cents worth of a 12-year DM loan guaranteed 95 percent by Hermes.

France recently nationalized Pechiney Ugine Kuhlmann is raising \$100 million. The seven-year loan is being syndicated only among French banks—a fact explained perhaps by the low margin of 1/4 point for the first three years and 1/2 point over Libor thereafter.

Sudanese Payment

LONDON (Reuters) — Sudan hopes to be able to make a \$22-million interest payment to banks, due last Tuesday, sometime later this month, banking sources said Friday.

Sudan failed to meet the deadline for the quarterly interest payment of its 100- or so commercial bank debtors because of a cash-flow problem, they said.

The problem has arisen largely because of the refusal of the IMF to allow the country to draw on its standby credit facility, the sources said.

A Battle for U.S. Sweet Tooth

By Randolph E. Bucklin
Washington Post Service

WASHINGTON — The maker of Hershey bars has discovered it is hard to resist pressure to raise prices.

Between last fall and this spring, executives at Hershey Foods unsuccessfully struggled to maintain the price of their candy bars at 25 cents while M&M Mars was charging 30 cents.

Management at No. 2 Hershey believed consumers would shy away from paying 30 cents for Mars' candy bars, which include Three Musketeers, Snickers and M&M's.

After six months of holding the line, Hershey abandoned its low-price market strategy in March, announcing a price increase to 30 cents and an average increase in the size of its candy bars of 28 percent.

The new Hershey products are now reaching supermarkets and other retailers in the candy distribution chain.

Hershey's move to the 30-cent price marks a victory for recent market strategy by Mars. Hershey apparently went along with 30-cent prices for two major reasons: Its battle plan was frustrated by retailers who decided to charge 30 cents across the board for candy bars, and it was losing market share to Mars anyway.

This most recent episode in the continuing battle for the allegiance of America's sweet tooth is a year and a half old. It began when Mars, which was losing market share to Hershey, boldly broke with candy industry tradition by increasing candy-bar size without raising prices.

The move caught the whole industry off guard," says Janet Kitt, who watches the candy business for American Consulting in Chicago. "All of a sudden Mars was out there with bigger bars."

Smelling a bargain, candy buyers turned to the bigger Mars products and the company's market share went from 37.8 percent in July, 1980, to 41.1 percent in July, 1981.

Hershey lost market share, dropping from 27.3 percent to 26.9 percent. Two other major candy manufacturers also lost share to Mars. Peter Paul,

maker of Mounds and Almond Joy, dropped from 7.6 percent to 6.7 percent, and Nabisco Brands, maker of Baby Ruth, Butterfinger and Junior Mints, fell from 8.2 percent to 7.3 percent.

In the \$5-billion-a-year candy business, 1 percent change point of market share represents \$50 million in sales.

About nine months ago, Mars increased its prices from 25 to 30 cents, a move that should have been to Hershey's advantage. Although it had smaller bars, Hershey also had lower prices and was selling its candy at about the same cost per ounce. Hershey decided to stand and fight at 25 cents.

But Hershey's strategy, backed by pointed advertising, was scuttled by most candy retailers who refused to deal with two prices, going with the higher one.

"The mom-and-pop store doesn't want to bother with 'Is this bar Hershey's,' or 'Is this bar Mars,'" the American Consulting analyst said. "It was very difficult for (Hershey) to maintain the 25-cent price at retail level."

Continuing drops in cocoa prices helped Mars decide to make bigger bars for the same price. Cocoa powder accounts for about 40 percent of all ingredients used by U.S. candy manufacturers; raw materials make up 48 percent of candy production costs.

Mars traded some short-run profit for gains in sales, but as the prices of sugar and cocoa declined substantially over the past 18 months, Mars' gamble paid off handsomely.

It is impossible to tell exactly how successful Mars has been, because the Fairfax, Va., company is privately owned. Sales are estimated at more than \$3 billion, of which 40 percent is candy.

Industry analysts believe, however, that it was Mars' private ownership that allowed it to take a long view on profit. "Mars can pursue an aggressive strategy," said Lee Taves, an analyst with Oppenheimer & Co. in New York. "It can sacrifice profit for a year."

Because Hershey is publicly held, pressure to maintain high profit, even in the short run, is likely to be stronger than at Mars, Mr. Taves said. "Hershey is at a disadvantage."

Shultz Places Bechtel Under the Spotlight

(Continued from Page 7)

with a master's degree from the Stanford Business School, took control of the company in 1960, succeeding his father, Stephen Sr. The father led the company to prosperity during World War II by building Liberty ships. After the war, he shifted into oil refineries and then nuclear plants, while continuing to bolster the company's pipeline activities.

Family Control

The Bechtels — one of the world's richest families as a result of their company's enormous success — control 40 percent of the company's stock, and 56 executives share the rest. The company has in recent years broadened its reach overseas, particularly in Indonesia and other developing Asian nations and the Arab Middle East.

It has shed partially the exclusive habits that occasionally invited political controversy, and it has diverted portions of its mounting cash reserves into partnerships and investments outside of the engineering and construction realm.

Last year, Bechtel reorganized its corporate structure to allow firmer control of its myriad projects. At the top of the Bechtel totem pole is Sequoia Ventures, which holds the family's shares in the company. (Sequoia also owns 80 percent of Dillon, Read & Co., a New York investment bank.)

Beneath Sequoia is the Bechtel Group, a holding company composed of three main operating arms: petroleum engineering, power engineering and civil engineering and mining. There is a fourth operating arm that bunts for inviting places to invest the group's money and rustles up new business.

Of Bechtel's projects valued at \$50 million and above, half are outside the United States. The company has never been involved in a project in Israel. This is partly a matter of politics and partly of economics. Arab states ban contracts with any U.S. supplier that does work in Israel. Then, too, Israel's own construction technology is so advanced, and its work force so sophisticated, that the country has been able to do most major building projects on its own.

Aroused Suspicions

Because of its Arab ties, Bechtel has aroused the suspicions of Israeli supporters. In 1976, it became the only company accused by the Justice Department of refusing to subcontract work to companies blacklisted by the Arab League of Nations. The Justice Department charged that Bechtel and four of its divisions or subsidiaries had refused to subcontract work in the Middle East to U.S. companies blacklisted by the Arab League as part of their economic boycott of Israel.

The dispute was settled out of court when Bechtel agreed to a consent decree stating it would not participate in an Arab boycott. Bechtel subsequently sought to change its position, arguing that the Arab boycott, being political, was beyond the scope of the Sherman Antitrust Act. A federal judge, however, signed the consent judgment in 1979.

The restructuring in late 1980 was meant to clarify reporting lines and delegate authority into smaller corporate units. The idea was to encourage Bechtel managers to react more quickly to what Mr. Bechtel, Mr. Shultz and other top executives anticipated would be new opportunities and increased competition for Bechtel worldwide.

"Newly industrialized countries are capturing a bigger share of world markets, and will probably be producing 25 percent of the world's goods by the end of the decade," Mr. Bechtel told a gathering of managers this spring. "We must identify these new areas and be more aggressive selling ourselves in these difficult markets."

It was in setting the new strategy that Mr. Shultz made his influence felt, in part through his analysis of international economics and his professional knack of soliciting opinions and directing strategy discussions at meetings of Bechtel's seven-member executive committee, according to one member, Steven V. White.

Mr. White said it was not Mr. Shultz's government contacts alone that caught Mr. Bechtel's eye, but rather Mr. Shultz's familiarity with international economics, labor issues and finance.

Also, Mr. Shultz's understated, pragmatic manner fit well with an organization dominated by engineers who had worked their way to the top managing the mammoth projects that were Bechtel's staple.

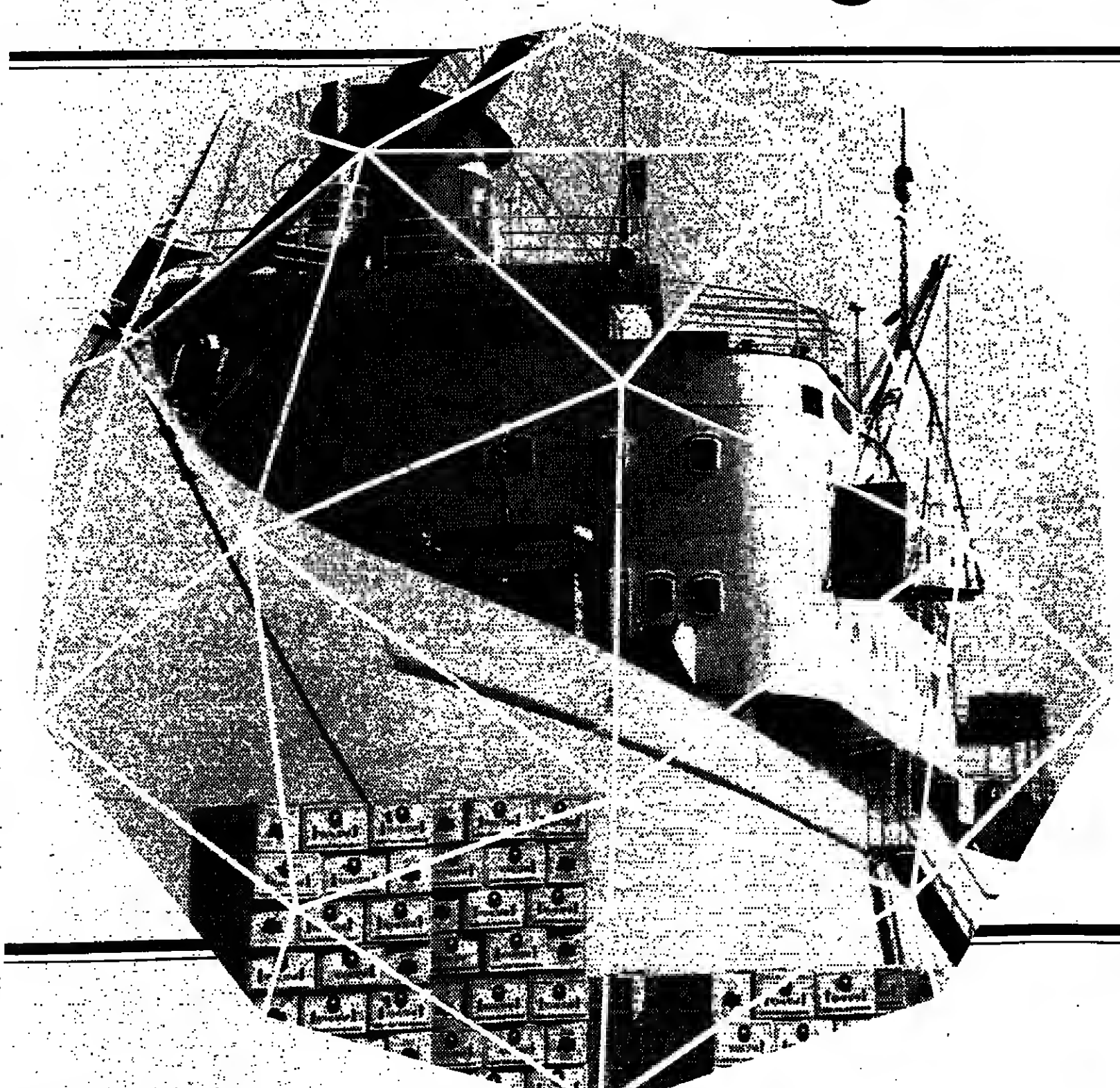
U.S. Farmland Values Show a Decline of 1%

WASHINGTON — The value of farmland in the United States declined an average of 1 percent between February, 1981, and April, 1982, the U.S. Agriculture Department said Friday.

In a summary of its farm real estate report, the department said the value of farmland has dropped to an average of \$788 an acre. The decline follows increases of 16 percent in 1979 and 9 percent in 1980. Despite the decline in land values, cash rents for farmland were generally higher than a year ago, the department said.

The department also reported that the rate of farm transfers has slowed in recent years in response to lower farm income.

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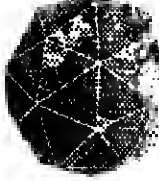
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LANGUAGE

Circumloquations

By William Safire

NEW YORK — "Learn the right of coining words," wrote poet Leigh Hunt, "in the quick mint of joy."

It's no big deal, provided the need for a word exists. Meteorologist is not a useful word, because it seems to mean "one who studies meteors." When I tune in a weather forecast, I am rarely warned of falling meteors; therefore, I welcome a new word like weathercaster. In Omaha, meteorologist Gary Wise reviewed a forecast that had turned out wrong, and called his review an aftercast. That is good coinage; simple, understandable, useful. Thomas Griffith at Time magazine offers a portmanteau coinage to describe roundabout chattering: circumloquations.



Safire

A couple of years ago, a New York Times editorialist described the notion of foreign aid being a burden as moonstruck. William Steiner of Oceanside, N.Y., wrote me — as I was responsible — to ask: "Is this a more heavenly way of saying 'hogwash'?" The Times writer tells me it was a "subconscious neologism," and defines the word as "midway between riddle and malapropism, an enigmatic fantasy; inspired humbug." Perhaps associated with the philosophy of Governor Moonbeam.

Not all situations need special words. J. Arthur Greenwood of White Plains, N.Y., wrote me to advise for "a fit designation for the 'ex-wife-with-whom-one-is-having-an-affair,' clearly a notion as pressing in need of a name as 'neighbor-whose-house-is-on-fire.'" Those situations are too special to warrant general nomenclature.

On the other hand, no word has emerged to fit the unmarried person living with another. "This is my, uh, lady? Old man? Lover? Mistress? Roommate?" Nor is there a word in English for your child's in-laws to match the Yiddish *shvarts*.

The black hole in my vocabulary is for a feminine alternative to avuncular. My Uncle Straw used to sign his letters, "With avuncular affection," but if he had been my aunt, what could he have said? The

oation is crawling with aunts who have no suitable adjective. Suggestions from Lexicographic Irregulars will be accepted.

AL HAIG, the former secretary of state whose vocabulary was so often skewed, will no longer be using Foggy Bottom as his forum. Policy differences aside, his departure is saddening. Al was just getting the hang of the language.

For a time, at the Versailles summit, it appeared that he would suffer a reversal. He began a briefing using the French word *pot-pourri* in its correct meaning — a mélange, or hodgepodge — but pronounced it "pot-POUR-y." That wasn't wrong, but the preferred pronunciation is "po-POO-REE," especially if you're in France.

He then recouped by using a Kissingerism correctly, which many of the press corps found confusing. "I think both leaders are extremely sensitive," said Haig, speaking no ill of Presidents Reagan and Mitterrand, "not to look like we're developing a condominium between Paris and Washington." (Read that "like" for "as if" and let it go.)

"If they did develop one," commented ABC correspondent Bill Stoller, "it would have to be advertised as 'six million rms, on vw.'" In this case, the current meaning of condominium — shared ownership of an apartment house — is antedated by the diplomatic meaning, "joint rule or sovereignty." Today, a diplomatic condominium is a sort of high-handed divvying up of power to the sound of resentful hollering from alliance partners.

When a lack of direct communication between Haig and Jean Kirkpatrick, the U.S. chief delegate to the United Nations, led to a certain embarrassment, he used a good word to dismiss the shortcomings of diplomats, calling them "personal peccadilloes which tantalize you gentlemen so much."

A peccadillo is a minor fault or petty sin, from the Latin *peccare*, to sin. Its use by a secretary of state recalls one of the great diplomatic code messages based on a pun, from Sir Charles Napier, who had been sent to gain control of the Indian province of Sind in the 1840s. After the battle of Hyderabad, the British general sent back his report in a single word: *Peccavi*. At the Foreign Office, his Latin-speaking colleagues immediately knew its import: "I have sinned."

New York Times Service

James Carroll's Ministry

The Family Trade From Antiwar Protest to Thrillers

By Curt Supplee
Washington Post Service

BOSTON — Allen Tate saw it coming. It was 1965, and one of the late poet's brightest students, a young Washingtonian, was determined to be both a writer and a Catholic priest. So Tate inscribed a book "To James Carroll, with best wishes for his two vocations."

"But then after he wrote that," Carroll remembered, "he looked up at me and said, 'You know, you can't have both of them.'"

Not at once, anyway: Carroll left the priesthood in 1974 to become a best-selling author. Yet both callings still contend in this boyish figure with the smiling pink face and generous Celtic sprinkles of freckles who opens his Beacon Hill door on a tangle of paradoxes.

An impassioned antiwar protester whose father, an Air Force general, was head of the Defense Intelligence Agency. A social-reform firebrand whose books have made him rich. A profoundly moral writer who worries that he is not respectable enough. A man who believes that arms spending has made the United States "a garrison state," that "we are the new Krupps," but has written his new spy novel, "Family Trade," to "pay tribute to my father and the privilege it was to grow up in his family."

He defies categories, this 39-year-old who had to break with father and Father to find himself. But then, that's his point: to wrestle with the definitions forced on one by circumstance and blood, "to resist and embrace them," as he put it.

His novel "Madonna Red" (1976) is a Washington thriller with a difference, incorporating a Catholic priest who is a conscience-stricken Vietnam veteran, a female IRA assassin and a crisis over the role of women in the church. "Mortal Friends" (1978) follows an Irish immigrant who climbs into respectability by sinking into sin, from a Tipperary rebellion in the 1920s to venal politics and gory clan wars in contemporary Boston. "Fault Lines" (1980) portrays a family's brutally

manipulative custody fight against a backdrop of war protest. And "Family Trade" ricochets across four decades as Jake McKay, a Georgetown University freshman groping to know himself, sees his father's CIA career ruined when Jake's British uncle defects to the Soviets.

Earnings on the first three books ran to seven figures; and the new novel, a Book-of-the-Month-Club main selection, has just broken the slump in reprint sales, drawing a million dollars from New York's Random House. Which makes possible life here in the sumptuous cobblerstone calm of Beacon Hill's row houses.

In the sun-dappled kitchen, Carroll and his wife, novelist Alexandra Marshall, scuttled past lunch, pausing to tend their children, Elizabeth, 2, and month-old Patrick, stepping over Marshall's two aging cats (the base of the Month-Club main selection, has just broken the slump in reprint sales, drawing a million dollars from New York's Random House. Which makes possible life here in the sumptuous cobblerstone calm of Beacon Hill's row houses.

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He made a ministry of fiction, in which the terrible determinism of hereditary sin, the most vicious transgressions are treated with confessional compassion and narration is untampered to absolutism. "It's true," he said quietly, "the word, the speaking of the word is the act of imagination, the besting faculty in human beings."

Carroll's parents "broke out of the Irish ghetto" in Chicago and moved to Alexandria, where he and his four brothers grew up. Always expecting that his family would be transferred, he had no sense of place, no sense of heritage, either. Carroll writes in "Family Trade" that "Irishmen, even assimilated ones, were never more than an inch away from their feelings of inferiority" and "within an inch also of their resentment."

He enrolled at Georgetown and

got constant questions about the family espionage trade. "What happens to Jake in this novel is what I fantasized happening at the time." All fantasy, however. Although there was an ominous red telephone in the house, "My old man might as well have sold shoes for a living — it was that dramatic." He finally entered a seminary of the liberal, campus-oriented Paulists, where "I learned to think and my values were radically re-examined."

Leftist

By the late 1960s, his father had become a devout leftist. He had been harassed by Nazis at a Lincoln Memorial vigil for the Civil Rights Act and marched on the Pentagon, where "I knew very well which window up there was my old man's office."

He became chaplain at Boston University, where "he was always very, very critical," says Ed Gulan, a fellow seminarian who founded the Community for Creative Nonviolence, "and it got him in a lot of trouble." Boston's Archbishop Humberto Medeiros disapproved of "the whole style of my priesthood," according to Carroll, "and I was always pressing him to make a statement on the war."

At the United States withdrew from Vietnam, he felt "a strong intuition" that he would be leaving the cloth. In 1974, he made the formal request. "It was like a dam broke, and I discovered myself as a writer."

He wrote a play "Oh Farrell, Oh Family!" about the conflicts among a policeman and his two sons, which was showcased in New York; another play about the IRA followed, then "Madonna Red," which "was like stepping into a pair of shoes that were already broken in," since it blended church controversy, Vietnam and "a fantasy I used to have as a priest — that I would turn around to the congregation and someone was going to shoot me."

His parents were disappointed with the career choice, but "the irony was that leaving the priesthood was my step into the mainstream, the only way I was gonna become your basic, middle-class American."

By then the city was seething



Author and ex-priest Carroll.

with unrest over school desegregation. He volunteered as a bus monitor, and on the first day found himself lying on the floor of a bus with a couple of dozen young blacks ("We were afraid of getting shot") driving at 60 miles per hour through the narrow streets into Southie. "I've never been so scared in my life," recalled Carroll, who determined to write a novel that would explain "how the Irish got to be so culturally insecure and threatened. I was opposed to racism, but I was also sympathetic. And I was irked with people who were self-righteous about Irish meanness and racism." The book became "Mortal Friends."

While he was working out that story, Carroll met Marshall, author of three novels including "Gus in Bronze," who shared the same agent — Don Cudde, an Episcopal priest. They say they have avoided the tensions notorious in literary couples. "It's a source of mutual support," says Carroll. "I have a lot more readers and more money, but for both of us the primary issue is the success of each book itself."

LETTER FROM ZURICH

Senator vs. Housewife

By Jan Kricsemer

ZURICH — Until a few months ago, Jost Dillier was one of Switzerland's most distinguished political figures. Now he is out of office, for the simple reason that voters in his constituency concluded that he had become too powerful.

Their decision to oust him may have been somewhat peremptory. Yet it illustrates the workings of the Swiss system, which despite its shortcomings is extremely sensitive to public opinion.

In many ways, Switzerland's federal structure resembles that of the United States. National laws are enacted by two chambers, like the Senate and the House of Representatives. But a good deal of power resides in its cantons, which are the equivalent of the American states.

Dillier, a native of Obwalden, one of the country's least populous cantons, had served for more than a decade in the *Ständerat* (Council of States), as the senate is called. (Actually Obwalden is only a "half canton" — Nidwalden is the other half of Unterwalden — but it has its own representative in the *Ständerat*.) Last year, Dillier rose to the position of speaker, the second highest legislative post in the land.

Unlike members of the lower house, who are elected nationally, senators are chosen by cantonal assemblies. These local legislatures are composed in most cantons of delegates elected by secret ballot.

But in small cantons such as Obwalden, where the assemblies are known as *Landsgemeinden*, the entire adult citizenry has the right to speak up and even recommend legislation.

In senatorial elections, citizens gather in the town square. If nobody objects, the head of the assembly announces that the incumbent will be returned for another term to Bern, the Swiss capital.

Given his record, Dillier confidently expected that he would be re-elected. But a young man, defying tradition, proposed that a vote be taken. In fact, two votes were held — and Dillier, to his astonishment, went down to defeat.

There had been no speeches or debates. A narrow majority of Obwalden's coterie 20,000 voters had decided that they disliked Dillier's attitude toward a housewife who had criticized him in a letter to a local newspaper.

Besides being a politician, Dillier is involved in family construction and transportation companies. The woman contended in her letter that his business activities constituted a conflict of interest.

He responded by suing her for slander, claiming that she had injured his reputation. Though there was no proof of wrongdoing by Dillier, most of Obwalden's citizens felt that he was trying to intimidate a critic.

The incident has focused the spotlight on these local assemblies, whose origin dates back centuries. They are being praised by political commentators here as a model of an institution that best reflects the popular will.

The Dillier experience has also attracted much attention for understanding an almost folkloric example of an arrogant politician being brought down by the people. Switzerland, after all, is the country of William Tell.

The case is ironic as well because the fuss was started by a woman — and women were not given the right to vote here in national elections until 1971. They are still barred from voting for local assemblies in two cantons.

Women's organizations are fighting to change the situation, charging that the anti-female restrictions in the two cantons are a violation of civil liberties. They also point to the contradiction of women enjoying the vote in national elections while being excluded in local contests.

But Appenzel, a canton in eastern Switzerland, again decided recently by a two-to-one margin to keep women out of community affairs.

Sooner or later, though, women will gain the franchise even in the last bastions of masculine exclusivity, and Swiss democracy will then move closer to perfection. It is already working well compared to the rest of the world.

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Flood in North Argentina

United Press International

FORMOSA, Argentina — The Paraguay River, in its worst flooding in more than 70 years, has left up to 23,000 people homeless and 296,000 acres (123,000 hectares) of land covered with water in Formosa province, 590 miles (944 kilometers) north of Buenos Aires.

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Remember? That evening 13 years ago when you sat eyes riveted to the TV set, awaiting a historic landing. It was 10:56 p.m. in Houston when at last the figure, moving as it were in slow motion, set foot on the moon dust and the voice of Neil Armstrong was heard 238,857 miles from earth saying "A small step for a man, a giant leap for mankind."

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As for the technical merits of the Speedmaster — available also in gold and steel or all steel — we might simply remark that Neil Armstrong was wearing one on his wrist that historic night of July 20th, 1969.

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